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

December 31, 2017

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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, 2017, 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, 2017 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 19, 2018

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

Statement of financial position

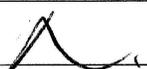
as at December 31, 2017

| | Notes | 2017 \$ | 2016 \$ (Note 15) |
|--|-------|------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 1,394,784 | 956,629 |
| Restricted cash | | 351,250 | 360,834 |
| Grants and other receivable | | 171,829 | 52,942 |
| Sales taxes recoverable | | 52,227 | 71,110 |
| Deposits and prepaid expenses | | 12,315 | 14,281 |
| Receivables and grant advances - other Action Against Hunger agencies | 3 | 402,588 | 26,168 |
| | | 2,384,993 | 1,481,964 |
| Capital assets | 4 | 15,281 | 15,842 |
| | | 2,400,274 | 1,497,806 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 6 | 97,737 | 127,395 |
| Deferred grants | 7 | 726,048 | 360,834 |
| Loans and other payable - other Action Against Hunger agencies | 8(a) | - | 821,416 |
| | | 823,785 | 1,309,645 |
| Non-Current liabilities | | | |
| Loans to other payables to Action Against Hunger agencies | 8(b) | 1,394,400 | 272,904 |
| | | 2,218,185 | 1,582,549 |
| Net assets | | | |
| Invested in capital assets | | 15,281 | 15,842 |
| Unrestricted | | 166,808 | (100,585) |
| | | 182,089 | (84,743) |
| | | 2,400,274 | 1,497,806 |

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, 2017

| | Notes | 2017 | 2016 |
|---|--------------|------------------|------------------|
| | | \$ | \$ |
| | | | (Note 15) |
| Revenue | | | |
| Programme revenue | 7 and 14 | 1,375,049 | 6,885,933 |
| Revenue received from Action Against Hunger | | | |
| International | 11(b) | 426,296 | 207,898 |
| Donations | | 410,644 | 276,993 |
| Management fees and other | | 123,530 | 97,206 |
| Gain on foreign exchange | | - | 34,815 |
| | | 2,335,519 | 7,502,845 |
| Expenses | | | |
| Programme expenses | 11(a) and 14 | 735,758 | 6,347,141 |
| Salaries and benefits | | 1,050,270 | 783,373 |
| Fundraising | | 110,867 | 59,062 |
| Travel | | 29,798 | 34,461 |
| Rent | | 37,368 | 36,893 |
| Advertising | | 1,210 | 600 |
| Telecommunications and information technology | | 7,858 | 6,280 |
| Office and general administration | | 63,073 | 49,358 |
| Interest and bank charges | | 2,486 | 2,541 |
| Amortization of capital assets | | 4,543 | 6,017 |
| Loss on foreign exchange | | 25,456 | - |
| | | 2,068,687 | 7,325,726 |
| Excess of revenue over expenses for the year | | 266,832 | 177,119 |

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, 2017

| | 2017 | | | 2016 |
|--|-------------------------------|----------------|----------------|-----------------|
| | Invested in capital assets | Unrestricted | Total | Total |
| | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 15,842 | (100,585) | (84,743) | (261,862) |
| (Deficiency) excess of revenue over expenses for the year | (4,543) | 271,375 | 266,832 | 177,119 |
| Acquisition of capital assets | 3,982 | (3,982) | - | - |
| Balance, end of year | 15,281 | 166,808 | 182,089 | (84,743) |

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, 2017

| | Notes | 2017 | 2016 |
|--|-------|------------------|-------------|
| | | \$ | \$ |
| | | | (Note 15) |
| Operating activities | | | |
| Excess of revenue over expenses for the year | | 266,832 | 177,119 |
| Items not affecting cash | | | |
| Amortization of capital assets | | 4,543 | 6,017 |
| | | 271,375 | 183,136 |
| Net change in non-cash working capital items | 10 | (132,822) | (1,615,211) |
| | | 138,553 | (1,432,075) |
| Investing activities | | | |
| Loans, net | 8(b) | 294,000 | 272,904 |
| Acquisition of capital assets | | (3,982) | - |
| | | 290,018 | 272,904 |
| Increase (decrease) increase in cash | | 428,571 | (1,159,171) |
| Cash, beginning of year | | 1,317,463 | 2,476,634 |
| Cash, end of year | | 1,746,034 | 1,317,463 |
| Comprised of: | | | |
| Cash | | 1,394,784 | 956,629 |
| Restricted cash | | 351,250 | 360,834 |
| | | 1,746,034 | 1,317,463 |

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.

2. Significant accounting policies (continued)

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 |

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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.

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

| | 2017 | 2016 |
|---------------------------|----------------|---------------|
| | \$ | \$ |
| Action Contre la Faim | 59,520 | - |
| Action Against Hunger USA | 171,310 | - |
| Accion Contra El Hambre | 140,081 | - |
| Action Against Hunger UK | 31,677 | 26,168 |
| | 402,588 | 26,168 |

4. Capital assets

| | 2017 | | | 2016 |
|------------------------|---------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| | \$ | \$ | \$ | \$ |
| Furniture and fixtures | 15,670 | 12,200 | 3,470 | 4,337 |
| Computer hardware | 38,892 | 27,425 | 11,467 | 10,977 |
| Computer software | 3,102 | 3,102 | - | 36 |
| SMART website | 5,780 | 5,436 | 344 | 492 |
| | 63,444 | 48,163 | 15,281 | 15,842 |

5. Financing facility

The Organization has a line of credit of \$40,000. No amounts had been withdrawn as at December 31, 2017 and 2016. Bank indebtedness, outstanding at any time, is due on demand, bears interest at 3.75% and is unsecured.

6. Accounts payable and accrued liabilities

| | 2017 | 2016 |
|-------------------------------|---------------|---------|
| | \$ | \$ |
| Trade and accrued liabilities | 87,419 | 118,743 |
| Salaries payable | 10,318 | 8,652 |
| Government remittances | - | - |
| | 97,737 | 127,395 |

7. Deferred grants

| | 2017 | | | | | 2016 |
|------------------------------------|-----------------------------|----------------|--------------|----------------|----------------|----------------|
| | Global Affairs Canada | SMART* | Gender | Other | Total | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance | 42,302 | 107,173 | 166,367 | 44,992 | 360,834 | 4,262,048 |
| Funding received during the year | 264,895 | 519,865 | 154,200 | 699,289 | 1,638,249 | 3,010,433 |
| Change in grants receivable** | (48,930) | 117,975 | 32,969 | - | 102,014 | (25,714) |
| Revenue recognized during the year | (249,807) | (472,362) | (344,343) | (308,537) | (1,375,049) | (6,885,933) |
| | 8,460 | 272,651 | 9,193 | 435,744 | 726,048 | 360,834 |

* Standardized Monitoring and Assessment of Relief and Transition.

** Includes foreign exchange gain (loss).

8. Loans and other payable

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

| | 2017 | 2016 |
|---|-------------|----------------|
| | \$ | \$ |
| | | (Note 15) |
| Loans and other payable, unsecured, non-interest bearing, no specific terms of repayment but due on demand | | |
| Action Contre La Faim | - | 808,630 |
| Accion Contra El Hambre | - | 5,150 |
| Action Against Hunger USA | - | 7,636 |
| | - | 821,416 |

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

| | 2017 | 2016 |
|--|------------------|----------------|
| | \$ | \$ |
| | | (Note 15) |
| Loans and other payable, unsecured, non-interest bearing, due on various dates up to 2026 | | |
| Action Contre La Faim | 833,971 | - |
| Action Against Hunger UK | 16,333 | 16,333 |
| Accion Contra El Hambre | 294,000 | - |
| Action Against Hunger USA | 250,096 | 256,571 |
| | 1,394,400 | 272,904 |

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. During the year, the Organization's contribution to the programme was \$156,282 (2016 - \$ Nil).

10. Cash flows

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

| | 2017 | 2016 |
|---|------------------|-------------|
| | \$ | \$ |
| Grants and other receivable | (118,887) | (30,507) |
| Sales taxes recoverable | 18,883 | (3,138) |
| Deposits and prepaid expenses | 1,966 | (9,802) |
| Receivables and grant advances - other Action Against Hunger agencies | (376,420) | 1,781,555 |
| Accounts payable and accrued liabilities | (29,658) | (252,914) |
| Deferred grants | 365,214 | (3,901,214) |
| Loans and other payable - other Action Against Hunger agencies | 6,080 | 800,809 |
| | (132,822) | (1,615,211) |

11. Related party transactions

During the year, the following transactions occurred:

- (a) Action Against Hunger International – Humanitarian crises expenses in the amount of \$34,335 (2016 - \$87,569) 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 \$426,296 (2016 - \$207,898) was received from other Action Against Hunger agencies.

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, 2017, assets and liabilities denominated in other currencies are as follows:

| | US dollars | | Euros | | British pound | | Swedish Krona | |
|---|----------------|---------|----------------|--------|---------------|------|---------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | \$ | \$ | € | € | £ | £ | kr | kr |
| Cash | 365,301 | 619,728 | - | - | - | - | - | - |
| Loans and receivables - other Action Against Hunger agencies | 58,442 | 28,415 | 24,000 | - | - | - | 3,000 | - |
| Deferred grants | - | 90,293 | - | - | - | - | - | 1,094,154 |
| Grant receivable | 131,136 | - | - | - | - | - | - | - |
| Loans and other payable - other Action Against Hunger agencies | 465,618 | 86,286 | 325,507 | 31,811 | - | 988 | - | - |

12. Financial instruments (continued)

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.

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, 2017 and 2016.

14. Funding Agreement

In 2016, 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. Programme revenue would have been \$20,286,664 (2016 - \$10,932,108) had this change not occurred.

15. Comparative amounts

The following prior year comparative amounts have been reclassified to conform to the current year's financial statement presentation:

| | 2016 | |
|--|------------------|----------------------|
| | As amended | As previously stated |
| | \$ | \$ |
| Statement of financial position | | |
| Liabilities | | |
| Loans and other payable - other Action Against Hunger agencies - Current | 821,416 | 1,094,320 |
| Loans and other payable - other Action Against Hunger agencies - Non-current | 272,904 | - |
| | <u>1,094,320</u> | <u>1,094,320</u> |
| Statement of revenue and expenses | | |
| Revenue | | |
| Grants - Government of Canada - Global Affairs Canada | - | 6,114,957 |
| Grants - SMART programme | - | 770,976 |
| Programme revenue | 6,885,933 | - |
| Expenses | | |
| Grants executed - Global Affairs Canada | - | 5,988,574 |
| Action Against Hunger International - Humanitarian crisis | - | 87,569 |
| Programme expenses | 6,347,141 | 270,998 |
| | <u>538,792</u> | <u>538,792</u> |

The statement of cash flows was amended accordingly.