

Action Contre La Faim (Canada)/ Action Against Hunger (Canada)
Financial Statements
December 31, 2020

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

For the year ended December 31, 2020

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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, 2020, 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, 2020, 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.

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 23, 2021

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, 2020

	2020	2019
Assets		
Current		
Cash	1,548,592	1,969,969
Grants and other assets (Note 9)	576,816	576,125
Sales taxes recoverable	84,346	60,485
Prepaid expenses and deposits	61,513	32,127
Receivables and grant advances - other Action Against Hunger agencies (Note 3)	7,749,643	3,669,475
	10,020,910	6,308,181
Capital assets (Note 4)	31,956	17,856
	10,052,866	6,326,037
Liabilities		
Current		
Accounts payable and accrued liabilities	239,169	239,239
Deferred grants (Note 5)	7,846,309	4,245,079
Accounts payable - other Action Against Hunger agencies (Note 7)	334,208	214,742
	8,419,686	4,699,060
Loans and other payables - other Action Against Hunger agencies (Note 7)	819,901	877,669
	9,239,587	5,576,729
Net Assets		
Invested in capital assets	31,956	17,856
Unrestricted	371,248	328,033
Internally restricted	410,075	403,419
	813,279	749,308
	10,052,866	6,326,037

Approved on behalf of the Board

E-SIGNED by Victoria Davies

Director

E-SIGNED by Chinmaya Thakore

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, 2020

	2020	2019
Revenue		
Programme revenue (Note 5), (Note 12)	15,068,189	6,558,482
Revenue from Action Against Hunger International	732,069	608,353
Donations	430,508	411,688
Professional services	368,381	167,490
Management fees and other	113,365	62,833
Government assistance (Note 9)	106,902	-
	16,819,414	7,808,846
Expenses		
Programs	14,185,223	5,167,224
Salaries and benefits	2,183,667	2,220,913
Fundraising	117,788	94,763
General and administration	116,621	88,480
Rent (Note 9)	42,547	73,566
Travel	15,736	46,045
Telecommunications and information technology	15,371	18,199
Advertising	4,133	-
Interest and bank charges	2,918	2,920
Amortization	6,470	6,644
	16,690,474	7,718,754
Excess of revenue over expenses before other items	128,940	90,092
Other items		
Foreign exchange gain (loss) (Note 10)	(64,969)	707
Excess of revenue over expenses	63,971	90,799

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, 2020

	<i>Invested in capital assets</i>	<i>Unrestricted</i>	<i>Internally restricted</i>	2020	2019
Net assets, beginning of year	17,856	328,033	403,419	749,308	658,509
Excess (deficiency) of revenue over expenses	(6,470)	63,785	6,656	63,971	90,799
Acquisition of capital assets	20,570	(20,570)	-	-	-
Net assets, end of December 31, 2020	31,956	371,248	410,075	813,279	749,308

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, 2020

	2020	2019
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	63,971	90,799
Amortization	6,470	6,644
Services applied against advances	-	(95,095)
	70,441	2,348
Changes in working capital accounts		
Grants and other assets	(691)	(121,088)
Sales taxes recoverable	(23,861)	(23,844)
Prepaid expenses and deposits	(29,386)	(11,030)
Receivables and grant advances - other Action Against Hunger agencies	(4,080,168)	(3,393,692)
Accounts payable and accrued liabilities	(70)	119,227
Deferred grants	3,601,230	3,812,161
Accounts payable - and other Action Against Hunger agencies	119,466	(189,811)
	(343,039)	194,271
Financing		
Loans and other payable - other Action Against Hunger agencies	(57,768)	(76,046)
Investing		
Acquisition of capital assets	(20,570)	(4,702)
Increase (decrease) in cash	(421,377)	113,523
Cash, beginning of year	1,969,969	1,856,446
Cash, end of year	1,548,592	1,969,969

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, 2020

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:

Fund accounting

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 and assistance are recognized where there is reasonable assurance that grants and assistance will be received and the conditions will be complied with. Government grants and assistance are recognized in earnings over the periods in which the Company recognizes expenses which the grants and assistance are intended to compensate.

Revenues from donations are recognized when received.

Interest income is recognized as revenue when earned.

Contributed materials and services

Contribution of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Organization's operations and would have otherwise been purchased.

The Organization benefits from the receipt of volunteers time and efforts. Due to the difficulty in establishing the fair value of volunteered time, it is not recognized in the financial statements.

Grants receivable

Grants receivable represents the difference between funds received and amounts spent on contracted programmes.

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

Notes to the Financial Statements

For the year ended December 31, 2020

2. Significant accounting policies (Continued from previous page)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

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

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 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.

Financial instruments

The Organization recognizes its financial instruments when the Organization becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

The Organization subsequently measures financial instruments at cost or amortized cost less impairment. The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets;

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.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

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

Notes to the Financial Statements

For the year ended December 31, 2020

2. Significant accounting policies *(Continued from previous page)*

Financial asset impairment:

The Organization assesses impairment of all of its financial assets measured at cost or amortized cost. The Organization groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Organization determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Organization reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Organization reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of revenue over expenses in the year the reversal occurs.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Primary components of these financial statements which include estimates are: the collectibility of receivable amounts and the useful life for amortization of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the periods in which they become known.

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

	2020	2019
Action Contre la Faim	3,194,609	2,507,170
Action Contra El Hambre	534,098	1,075,075
Action Against Hunger USA	4,018,539	85,216
Action Against Hunger UK	2,397	1,350
Other	-	664
	7,749,643	3,669,475

4. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Computer equipment	61,667	43,168	18,499	13,745
Computer software	16,408	6,105	10,303	168
Furniture and fixtures	17,729	14,575	3,154	3,943
	95,804	63,848	31,956	17,856

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

Notes to the Financial Statements

For the year ended December 31, 2020

5. Deferred grants

	<i>Global Affairs Canada</i>	<i>SMART</i>	<i>Gender</i>	<i>Other</i>	<i>2020</i>	<i>2019</i>
Opening balances	3,519,909	286,726	16,724	421,720	4,245,079	432,918
Funding received during the year	16,300,000	1,264,413	-	262,518	17,826,931	9,221,221
Change in grants receivable	-	(175,450)	(4,620)	-	(180,070)	(109,549)
Revenue recognized during the year	(12,546,019)	(1,031,265)	(12,104)	(456,243)	(14,045,631)	(5,299,512)
	7,273,890	344,424	-	227,995	7,846,309	4,245,079

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 (2019 - \$40,000), bearing interest at 3.75%, unsecured and due on demand. As at December 31, 2020, the Organization has drawn \$Nil (2019 - \$Nil) from the facility.

7. Loans and other payable

	<i>2020</i>	<i>2019</i>
Accounts payable - other Action Against Hunger agencies		
Action Contra Hambre (Guatemala)	156,471	132,827
Action Against Hunger USA (Kenya)	177,737	81,915
	334,208	214,742
Non-current loans and other payable - other Action Against Hunger agencies		
Action Contre La Faim	604,663	662,431
Action Against Hunger UK	16,333	16,333
Action Contra El Hambre	198,905	198,905
	819,901	877,669

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 \$2,226,678 (2019 - \$2,986,929).

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.

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

Notes to the Financial Statements

For the year ended December 31, 2020

9. Government assistance and rent relief

The Organization received government assistance in the amount of \$106,902 (2019 - \$nil) under the temporary Canada Emergency Wage Subsidy (CEWS), a program launched in response to the pandemic. Qualifying organizations received funds to assist with payroll costs. The amount of staff compensation and the decline experienced in revenue factored into the amount of the subsidy. At year-end, included in grants and other assets is \$49,163 of government assistance relating to this program.

In addition, as a result of the pandemic the Organization received rent relief from the landlord of \$10,477 (2019 - \$nil) that reduced rent expense for the year.

10. 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, 2020, the following are denominated in foreign currencies:

	2020 CAD\$	2019 CAD\$
Cash - U.S. dollars	272,585	189,438
Loans and receivables - other Action Against Hunger agencies - U.S. dollars	4,485	94,439
Loans and receivables - other Action Against Hunger agencies - Euros	52,659	47,535
Deferred grants - U.S. dollars	35,010	52,650
Deferred grants - Swedish Krona	309,414	249,580
Grant receivable - U.S. dollars	64,939	158,396
Loans and other payable - other Action Against Hunger agencies - U.S. dollars	47,680	190,113
Loans and other payable - other Action Against Hunger agencies - Euros	448,841	504,332
Loans and other payable - other Action Against Hunger agencies - British pound	191	190

The foreign exchange loss recognized for the year includes a realized loss since the start of the year of \$9,574 (2019 - \$nil) and a unrealized loss since the start of the year of \$55,395 (2019 - \$707 unrealized gain).

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.

Credit concentration

The Organization is subject to a concentration of credit risk with its receivables and grant advances due from other Action Against Hunger agencies. The Organization is in regular communication with its network partners and is able to evaluate the credit risk related to these amounts on an ongoing basis.

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

Notes to the Financial Statements

For the year ended December 31, 2020

11. 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, 2020 and 2019.

12. 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, \$20,286,664 in 2017) had this change not occurred. In 2019, GAC has reverted to the former funding method and there is no impact in 2020.

13. Environmental risk

During the year, there was a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through 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 what 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, this outbreak may cause reduced revenue, supply chain disruptions, and increased government regulations, all of which may negatively impact the Organization's operations and financial condition.