

**FINANCIAL STATEMENTS**

**AMERICAN COUNCIL FOR VOLUNTARY  
INTERNATIONAL ACTION**

**FOR THE YEARS ENDED  
DECEMBER 31, 2011 AND 2010**

# AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

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**GELMAN, ROSENBERG & FREEDMAN**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
American Council for Voluntary International Action  
Washington, D.C.

We have audited the accompanying statements of financial position of the American Council for Voluntary International Action (InterAction) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of InterAction's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of InterAction's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterAction as of December 31, 2011 and 2010, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2012 on our consideration of InterAction's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of InterAction's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on InterAction's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Gelman Rosenberg & Freedman*

April 29, 2012

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2011 AND 2010

## ASSETS

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,724,502	\$ 1,384,869
Investments (Notes 2 and 10)	855,304	899,081
U.S. Government grants receivable	1,162,907	239,161
Foundation grants receivable, current portion (Note 3)	1,957,755	24,989
Other receivables	36,055	57,709
Prepaid expenses	<u>151,286</u>	<u>164,583</u>
Total current assets	<u>5,887,809</u>	<u>2,770,392</u>
<b>PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS</b>		
Furniture and equipment	269,401	269,401
Leasehold improvements	<u>97,852</u>	<u>97,852</u>
	367,253	367,253
Less: Accumulated depreciation and amortization	<u>(318,327)</u>	<u>(304,831)</u>
Net property, equipment and leasehold improvements	<u>48,926</u>	<u>62,422</u>
<b>NONCURRENT ASSETS</b>		
Foundation grants receivable, noncurrent portion (Note 3)	1,323,292	-
Security deposits	<u>79,387</u>	<u>74,014</u>
Total noncurrent assets	<u>1,402,679</u>	<u>74,014</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,339,414</u></b>	<b><u>\$ 2,906,828</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 167,780	\$ 16,835
Accrued employee benefits	252,353	231,870
Deferred membership dues	16,759	12,617
Deferred publications	8,146	28,937
Deferred registrations	39,360	-
Deferred advertisements	4,000	-
Refundable advance	<u>22,576</u>	<u>-</u>
Total current liabilities	<u>510,974</u>	<u>290,259</u>
<b>NET ASSETS</b>		
Unrestricted	1,493,730	1,417,599
Temporarily restricted (Note 4)	<u>5,334,710</u>	<u>1,198,970</u>
Total net assets	<u>6,828,440</u>	<u>2,616,569</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 7,339,414</u></b>	<b><u>\$ 2,906,828</u></b>

See accompanying notes to financial statements.

**AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
U.S. Government grants (Notes 8 and 9)	\$ 1,868,638	\$ -	\$ 1,868,638
Foundation grants	95,813	7,289,356	7,385,169
Member contributions	33,855	-	33,855
Membership dues	2,639,194	-	2,639,194
Publications	193,699	-	193,699
Forum, meetings and workshops	387,978	-	387,978
Interest and dividends	26,065	-	26,065
Sublease income (Note 6)	52,359	-	52,359
Donated professional fees	37,604	-	37,604
Other income	45,530	-	45,530
Net assets released from donor restrictions (Note 5)	<u>3,153,616</u>	<u>(3,153,616)</u>	<u>-</u>
Total support and revenue	<u>8,534,351</u>	<u>4,135,740</u>	<u>12,670,091</u>
<b>EXPENSES</b>			
Program Services:			
Member Services	1,910,324	-	1,910,324
Federal and Non-Federal Awards	5,697,507	-	5,697,507
Legislative Activities	<u>19,828</u>	<u>-</u>	<u>19,828</u>
Total program services	<u>7,627,659</u>	<u>-</u>	<u>7,627,659</u>
Supporting Services:			
General and Administrative	688,513	-	688,513
Fundraising	<u>96,438</u>	<u>-</u>	<u>96,438</u>
Total supporting services	<u>784,951</u>	<u>-</u>	<u>784,951</u>
Total expenses	<u>8,412,610</u>	<u>-</u>	<u>8,412,610</u>
Changes in net assets before other item	121,741	4,135,740	4,257,481
<b>OTHER ITEM</b>			
Unrealized and realized (losses) gains on investments (Note 2)	<u>(45,610)</u>	<u>-</u>	<u>(45,610)</u>
Changes in net assets	76,131	4,135,740	4,211,871
Net assets at beginning of year	<u>1,417,599</u>	<u>1,198,970</u>	<u>2,616,569</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,493,730</u></b>	<b><u>\$ 5,334,710</u></b>	<b><u>\$ 6,828,440</u></b>

See accompanying notes to financial statements.

<b>2010</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 1,594,105	\$ -	\$ 1,594,105
-	886,318	886,318
45,629	-	45,629
2,536,532	-	2,536,532
186,491	-	186,491
404,185	-	404,185
20,180	-	20,180
41,067	-	41,067
-	-	-
12,810	-	12,810
<u>3,218,173</u>	<u>(3,218,173)</u>	<u>-</u>
<u>8,059,172</u>	<u>(2,331,855)</u>	<u>5,727,317</u>
1,722,580	-	1,722,580
5,542,292	-	5,542,292
<u>97,206</u>	<u>-</u>	<u>97,206</u>
<u>7,362,078</u>	<u>-</u>	<u>7,362,078</u>
537,179	-	537,179
<u>24,548</u>	<u>-</u>	<u>24,548</u>
<u>561,727</u>	<u>-</u>	<u>561,727</u>
<u>7,923,805</u>	<u>-</u>	<u>7,923,805</u>
135,367	(2,331,855)	(2,196,488)
<u>93,763</u>	<u>-</u>	<u>93,763</u>
229,130	(2,331,855)	(2,102,725)
<u>1,188,469</u>	<u>3,530,825</u>	<u>4,719,294</u>
<b><u>\$ 1,417,599</u></b>	<b><u>\$ 1,198,970</u></b>	<b><u>\$ 2,616,569</u></b>

See accompanying notes to financial statements.

## AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Member Services	Federal and Non-Federal Awards	Legislative Activities	General and Administrative	Fundraising	Total Expenses
Salaries	\$ 895,680	\$ 2,258,766	\$ 11,169	\$ 602,380	\$ 60,551	\$ 3,828,546
Fringe benefits (Note 7)	297,331	749,824	3,708	199,967	20,101	1,270,931
Consulting and professional fees	176,072	509,562	-	133,608	501	819,743
Temporary help	455	-	-	52,205	-	52,660
Computer technical support	-	4,508	-	(3,469)	-	1,039
Telephone	18,027	45,649	1,597	14,741	2,435	82,449
Office supplies	12,894	25,276	65	6,317	749	45,301
Postage	12,307	9,025	705	2,180	126	24,343
Printing and duplication	17,487	102,847	1,899	20,527	643	143,403
Subscriptions and publications	11,167	11,867	5	1,015	162	24,216
Travel, hotels and meals	70,072	166,155	571	23,154	7,130	267,082
Meetings and conferences	373,220	116,601	109	34,785	3,413	528,128
Legal and audit fees	-	5,025	-	67,035	-	72,060
Bank charges	-	-	-	13,237	-	13,237
Other	5,342	7,489	-	8,949	360	22,140
Insurance	-	-	-	38,634	-	38,634
Occupancy (Note 6)	93	50,077	-	786,608	-	836,778
Depreciation and amortization	-	-	-	13,496	-	13,496
Furniture and equipment	1,287	15,408	-	9,219	236	26,150
Repairs, maintenance and equipment rental	13,639	63,745	-	55,693	31	133,108
Education and training	5,251	300	-	7,470	-	13,021
Subgrants	-	118,541	-	-	-	118,541
Donated professional services	-	-	-	37,604	-	37,604
Sub-total	1,910,324	4,260,665	19,828	2,125,355	96,438	8,412,610
Allocation of General and Administrative expenses	-	1,436,842	-	(1,436,842)	-	-
<b>TOTAL</b>	<b>\$ 1,910,324</b>	<b>\$ 5,697,507</b>	<b>\$ 19,828</b>	<b>\$ 688,513</b>	<b>\$ 96,438</b>	<b>\$ 8,412,610</b>

See accompanying notes to financial statements.

## AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Member Services</u>	<u>Federal and Non-Federal Awards</u>	<u>Legislative Activities</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 687,188	\$ 2,092,098	\$ 59,041	\$ 473,315	\$ 17,907	\$3,329,549
Fringe benefits (Note 7)	242,921	739,557	20,869	167,341	6,330	1,177,018
Consulting and professional fees	179,013	502,573	1,048	100,834	-	783,468
Temporary help	-	-	-	46,972	-	46,972
Computer technical support	-	10,530	-	(10,530)	-	-
Telephone	24,722	77,340	2,880	8,431	176	113,549
Office supplies	22,235	25,591	487	10,736	118	59,167
Postage	15,291	16,568	8	2,360	17	34,244
Printing and duplication	23,393	86,643	1,922	7,475	-	119,433
Subscriptions and publications	13,509	1,776	9,625	3,324	-	28,234
Travel, hotels and meals	125,080	265,261	1,321	3,114	-	394,776
Meetings and conferences	364,096	116,475	5	16,936	-	497,512
Legal and audit fees	800	5,865	-	66,124	-	72,789
Bank charges	-	185	-	16,801	-	16,986
Other	1,820	5,398	-	7,351	-	14,569
Insurance	-	-	-	42,145	-	42,145
Occupancy (Note 6)	-	34,018	-	801,770	-	835,788
Depreciation and amortization	-	-	-	52,725	-	52,725
Furniture and equipment	-	26,230	-	1,329	-	27,559
Repairs, maintenance and equipment rental	10,421	62,200	-	38,691	-	111,312
Education and training	1,612	1,561	-	-	-	3,173
Subgrants	10,479	152,358	-	-	-	162,837
Sub-total	1,722,580	4,222,227	97,206	1,857,244	24,548	7,923,805
Allocation of General and Administrative expenses	-	1,320,065	-	(1,320,065)	-	-
<b>TOTAL</b>	<b>\$ 1,722,580</b>	<b>\$ 5,542,292</b>	<b>\$ 97,206</b>	<b>\$ 537,179</b>	<b>\$ 24,548</b>	<b>\$7,923,805</b>



## AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 4,211,871	\$ (2,102,725)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,496	52,725
Realized gains on sales of investments	(86,482)	(30,651)
Unrealized losses (gains) on investments	132,092	(63,112)
(Increase) decrease in:		
U.S. Government grants receivable	(923,746)	(239,161)
Foundation grants receivable	(3,256,058)	2,620,154
Other receivables	21,654	(42,373)
Prepaid expenses	13,297	(4,346)
Security deposits	(5,373)	-
Increase (decrease) in:		
Accounts payable	150,945	8,956
Accrued employee benefits	20,483	(112,977)
Deferred membership dues	4,142	10,617
Deferred publications	(20,791)	23,745
Deferred registrations	39,360	-
Deferred advertisements	4,000	-
Refundable advance	<u>22,576</u>	<u>(84,944)</u>
Net cash provided by operating activities	<u>341,466</u>	<u>35,908</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	586,926	436,160
Purchases of investments	<u>(588,759)</u>	<u>(439,471)</u>
Net cash used by investing activities	<u>(1,833)</u>	<u>(3,311)</u>
Net increase in cash and cash equivalents	339,633	32,597
Cash and cash equivalents at beginning of year	<u>1,384,869</u>	<u>1,352,272</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,724,502</u></b>	<b><u>\$ 1,384,869</u></b>

See accompanying notes to financial statements.

# AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2011 AND 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The American Council for Voluntary International Action (InterAction) was incorporated on August 23, 1984 under the laws of the State of New York. InterAction is the largest coalition of U.S.-based international nongovernmental organizations (NGOs) focused on the world's poor and most vulnerable people. With more than 190 members operating in every developing country, InterAction works to overcome poverty, exclusion and suffering by advancing social justice and dignity for all.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

#### Income taxes -

InterAction is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. InterAction is not a private foundation.

#### Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2011 and 2010, InterAction has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

#### Cash and cash equivalents -

InterAction considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

#### Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

#### Property, equipment and leasehold improvements -

All purchases of furniture and equipment in excess of \$1,500 are capitalized and stated at cost. Furniture and equipment are depreciated using the straight-line method of depreciation, over the useful life of the assets, generally three to five years. Leasehold improvements are capitalized and amortized over the life of the lease. Furniture and equipment purchased with grant funds are recorded as an expense and charged directly to the grant, which provided funding for the purchases.

AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Revenue recognition -

Grant revenue, under cost reimbursable federal and non-federal grants, is recognized based upon direct costs incurred plus allowable indirect costs. Revenue recognized but not received from the granting agency is reported as grants receivable in the accompanying statement of financial position. Conversely, revenue received in advance of incurring allowable direct and indirect costs is reported as a refundable advance in the accompanying statements of financial position.

Unconditional grants and contributions are recognized as revenue when received or promised and are reported as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Certain contributions of donated services are recorded at their fair values in the period received.

Membership dues are billed to members annually. The dues are recognized as revenue over the membership period, which is on a calendar year basis. Dues received, which are applicable to the following fiscal year, are presented as deferred dues in the accompanying financial statements.

Revenue from all other sources is recognized when earned.

Investments -

Investments at December 31, 2011 and 2010, consisted of mutual funds. Investments are recorded at their readily determinable fair value. Gains and losses, due to market fluctuations and from the sale or redemption of investments, are recorded as unrealized and realized gains and losses in the accompanying Statements of Activities and Changes in Net Assets.

Classification of net assets -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** represent funds that are not subject to donor-imposed stipulations and are available for support of InterAction's operations.
- **Temporarily restricted net assets** represent funds subject to donor-imposed restrictions that are met either by actions of InterAction and/or the passage of time.

Functional allocation of expenses -

The costs of InterAction's programs and administration have been summarized on a functional basis in the accompanying Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs benefited.

Allocation of indirect costs -

During 2011 and 2010, indirect costs were allocated to Federal grants based upon actual rates of 40.84% and 44.21%, respectively.

**AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Allocation of indirect costs (continued) -

The indirect rate is calculated using a base of salaries, benefits, temporary help and consultant expenses. Indirect costs have been allocated to non-Federal grants to the extent the donors have provided for the recovery of such costs.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration of credit risk -

At times during the year, InterAction maintains cash balances at financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Risks and uncertainties -

InterAction invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

InterAction adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. InterAction accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2011 and 2010:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
<b>Mutual Funds</b>	\$ <u>851,428</u>	\$ <u>855,304</u>	\$ <u>763,113</u>	\$ <u>899,081</u>

Included in the accompanying Statements of Activities and Changes in Net Assets are unrealized and realized losses on investments of \$45,610 and unrealized and realized gains on investments of \$93,763 for 2011 and 2010, respectively; these losses and gains have been presented as an other item in the Statements of Activities and Changes in Net Assets as this activity is not a direct result from InterAction's operations.

**AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**3. FOUNDATION GRANTS RECEIVABLE**

Foundation grants receivable, due in more than one year, have been recorded at the present value of the estimated cash flows, using a discount rate of 3.25%.

Foundation grants receivable are due as follows at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Less than one-year	\$ 1,957,755	\$ 24,989
One to five years	<u>1,366,299</u>	<u>-</u>
Total	3,324,054	24,989
Less: Allowance to discount balance to present value	<u>(43,007)</u>	<u>-</u>
<b>FOUNDATION GRANTS RECEIVABLE, NET</b>	<b><u>\$ 3,281,047</u></b>	<b><u>\$ 24,989</u></b>

**4. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
The Bill and Melinda Gates Foundation - Agenda for U.S. Foreign Assistance	\$ -	\$ 879,987
IFAD 2009	-	24,806
Connect USA - Partner Vetting System	551	37,820
Child Sponsorship	19,211	19,211
Strategic Impact Team - Other Project	-	29,673
Sphere Project	-	3,104
UN OCHA	-	475
Better World 2010	-	25,000
WFDA Exxon	-	4,672
Water Aid America	2,538	2,635
Rockefeller Foundation	100,414	96,349
Youth Alliance	84,006	35,000
Haiti Mapping - FedEx	1,190	35,138
Rural Development	155,508	-
Wal-Mart - 1000 Days Movement	166,663	-
U.S. Foreign Assistance	14,421	-
NGO Aid Map	168,665	-
The Bill and Melinda Gates Foundation - U.S. Development Assistance that Ends Poverty and Saves Lives	3,355,281	-
The Bill and Melinda Gates Foundation - 1000 Days Movement	1,264,662	-
Cost Recovery Project	<u>1,600</u>	<u>5,100</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 5,334,710</u></b>	<b><u>\$ 1,198,970</u></b>

**AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**5. NET ASSETS RELEASED FROM RESTRICTIONS**

The following is a summary of net assets, which were released from donor restrictions by incurring expenses which satisfied the donor-specified restrictions at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
The Bill and Melinda Gates Foundation - Agenda for U.S. Foreign Assistance	\$ 879,988	\$ 2,328,609
IFAD 2009	24,806	114,723
Hewlett Foundation	-	135,490
UNFPA 2008-2010	-	77,098
Connect USA - Partner Vetting System	37,269	25,300
Strategic Impact Team - Other Project	29,673	-
Better World 2010	25,000	-
WFDA - Exxon	4,671	10,363
Water Aid America	97	4,865
Rockefeller Foundation	67,134	3,651
Youth Alliance	23,494	-
IFP Development Financing	-	1,083
Haiti Mapping 2010 - FedEx	33,948	214,862
UNFPA E Learn	-	100,000
Aid Effectiveness	-	119,234
Rural Development	44,492	-
Wal-Mart - 1000 Days Movement	133,337	-
U.S. Foreign Assistance	256,684	-
NGO Aid Map	81,335	-
The Bill and Melinda Gates Foundation - U.S. Development Assistance that Ends Poverty and Saves Lives	1,134,312	-
The Bill and Melinda Gates Foundation - 1000 Days Movement	235,338	-
Increasing Civil Society Input	6,494	-
Saving Lives Together	45,000	-
UNOCHA	475	-
UNMDG - Task Force	-	82,895
InterAction Grasstops Outreach Program	25,000	-
International Forum of NGO's	23,365	-
Cost Recovery Project	38,600	-
Sphere Project	<u>3,104</u>	<u>-</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 3,153,616</u></b>	<b><u>\$ 3,218,173</u></b>

**6. LEASE COMMITMENT**

During 2007, InterAction signed an amended lease for additional office space. The amended lease expires December 30, 2012. On that date, InterAction has the option to extend the lease until November 30, 2016. The lease provides for an annual rental increase of 3%. The lease also requires InterAction to pay its proportionate share of the building's real estate taxes and operating expenses.

InterAction also leases a portion of its office space to several unrelated organizations.

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**6. LEASE COMMITMENT (Continued)**

Future minimum lease payments required under the non-cancelable operating lease as of December 31, 2011 total \$816,926 (payable during the year ended December 31, 2012).

Occupancy expense for the years ended December 31, 2011 and 2010 totaled \$836,778 and \$835,788, respectively. Total sublease income received during the years ended December 31, 2011 and 2010 totaled \$52,359 and \$41,067, respectively.

**7. RETIREMENT PLANS**

InterAction has a non-contributory defined contribution pension plan in accordance with Section 401(a) of the Internal Revenue Code. The plan covers all employees who meet certain age and employment requirements. Currently, InterAction contributes a percentage of each eligible employee's annual compensation. All contributions vest immediately. Total retirement expense under this plan were \$304,464 and \$284,440 for the years ended December 31, 2011 and 2010, respectively, and is included in fringe benefits in the accompanying Statements of Functional Expenses.

InterAction also administers a 403(b) tax-deferred annuity plan on behalf of its employees. There were no employer contributions made during 2011 and 2010.

**8. CONTINGENCY**

The funds which InterAction receives from U.S. Government grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the U.S. Government grants is based upon the allowance of costs reported to and accepted by the U.S. Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2011. Until such audits have been accepted by the U.S. Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**9. FUTURE COMMITMENTS FROM THE U.S. GOVERNMENT**

InterAction receives program funding from the United States Agency for International Development (USAID) and the United States Department of State (DOS). As of December 31, 2011, InterAction has received awards from the U.S. government totaling \$7,825,483, of which \$6,184,173 has been obligated and disbursed; as of December 31, 2011, InterAction has an unobligated balance of \$1,641,310 (these figures reflect InterAction's current/open awards). Total U.S. government awards received and obligations have not been included in the accompanying financial statements.

**10. FAIR VALUE MEASUREMENTS**

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, InterAction has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

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**10. FAIR VALUE MEASUREMENTS (Continued)**

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market that InterAction has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

*Mutual funds* - The fair value is equal to the price at which additional shares can be obtained (based on the quoted market price).

The table below summarizes, by level within the fair value hierarchy, InterAction's investments as of December 31, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
<b>Asset Category (Investments):</b>				
<b>Mutual Funds</b>	<b><u>\$ 855,304</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 855,304</u></b>
	2010			
	Level 1	Level 2	Level 3	Total
<b>Asset Category (Investments):</b>				
<b>Mutual Funds</b>	<b><u>\$ 899,081</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 899,081</u></b>

**11. SUBSEQUENT EVENTS**

In preparing these financial statements, InterAction has evaluated events and transactions for potential recognition or disclosure through April 29, 2012, the date the financial statements were issued.