

# **InterAction: The American Council for Voluntary International Action**

Financial Report  
December 31, 2017

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
InterAction: The American Council for Voluntary International Action

### Report on the Financial Statements

We have audited the accompanying financial statements of InterAction: The American Council for Voluntary International Action (InterAction), which comprise the balance sheets as of December 31, 2017 and 2016, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation 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 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 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 referred to above present fairly, in all material respects, the financial position of InterAction: The American Council for Voluntary International Action as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 11, 2018 and June 19, 2017, 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, grant agreements and other matters. The purpose of these reports is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering InterAction's internal control over financial reporting and compliance.

*RSM US LLP*

Washington, D.C.  
June 11, 2018

**InterAction: The American Council for Voluntary International Action**

**Balance Sheets  
December 31, 2017 and 2016**

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	\$ 1,982,555	\$ 1,642,125
Investments (Notes 2 and 3)	1,486,659	1,249,010
U.S. Government grants receivable	165,333	566,377
Foundation grants receivable, net (Note 4)	1,451,901	777,489
Other receivables	11,880	3,825
Prepaid expenses	187,542	77,696
Security deposits	75,310	75,199
Property, equipment and leasehold improvements, net (Note 6)	1,272,940	1,375,818
<b>Total assets</b>	<b>\$ 6,634,120</b>	<b>\$ 5,767,539</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 186,927	\$ 169,826
Accrued employee benefits (Note 11)	343,021	336,977
Deferred – other	-	34,139
Deferred rent	1,801,956	1,406,402
Refundable advances	30,000	30,000
<b>Total liabilities</b>	<b>2,361,904</b>	<b>1,977,344</b>
Commitments and contingency (Notes 9 and 10)		
Net assets:		
Unrestricted	1,469,720	1,427,258
Temporarily restricted (Note 8)	2,802,496	2,362,937
<b>Total net assets</b>	<b>4,272,216</b>	<b>3,790,195</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,634,120</b>	<b>\$ 5,767,539</b>

See notes to financial statements.

**InterAction: The American Council for Voluntary International Action**

**Statement of Activities  
Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
U.S. Government grants (Notes 5 and 10)	\$ 2,590,152	\$ -	\$ 2,590,152
Foundation and other restricted grants	268,400	3,574,501	3,842,901
Membership dues	2,878,426	-	2,878,426
Publications and online job board	44,419	-	44,419
Forum, meetings and workshops	490,482	-	490,482
Interest and dividends (Note 2)	39,789	-	39,789
In-kind contributions (Note 7)	25,403	-	25,403
Other income	74,023	-	74,023
Net assets released from donor restrictions (Note 8)	3,134,942	(3,134,942)	-
<b>Total support and revenue</b>	<b>9,546,036</b>	<b>439,559</b>	<b>9,985,595</b>
Expenses:			
Program services:			
Member services	2,460,740	-	2,460,740
Federal and non-federal awards	5,437,146	-	5,437,146
Legislative activities	8,127	-	8,127
<b>Total program services</b>	<b>7,906,013</b>	<b>-</b>	<b>7,906,013</b>
Supporting services:			
General and administrative	1,832,516	-	1,832,516
Fundraising	20,073	-	20,073
<b>Total supporting services</b>	<b>1,852,589</b>	<b>-</b>	<b>1,852,589</b>
<b>Total expenses</b>	<b>9,758,602</b>	<b>-</b>	<b>9,758,602</b>
Change in net assets before other item	(212,566)	439,559	226,993
Other item:			
Unrealized and realized gain on investments (Note 2)	255,028	-	255,028
<b>Change in net assets</b>	<b>42,462</b>	<b>439,559</b>	<b>482,021</b>
Net assets at beginning of year	1,427,258	2,362,937	3,790,195
Net assets at end of year	<b>\$ 1,469,720</b>	<b>\$ 2,802,496</b>	<b>\$ 4,272,216</b>

See notes to financial statements.

**InterAction: The American Council for Voluntary International Action**

**Statement of Activities  
Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue:</b>			
U.S. Government grants (Notes 5 and 10)	\$ 2,283,469	\$ -	\$ 2,283,469
Foundation and other restricted grants	265,162	1,402,496	1,667,658
Membership dues	2,758,199	-	2,758,199
Publications and online job board	56,536	-	56,536
Forum, meetings and workshops	488,067	-	488,067
Interest and dividends (Note 2)	34,984	-	34,984
Sublease income (Note 9)	38,750	-	38,750
In-kind contributions (Note 7)	19,127	-	19,127
Other income	62,617	-	62,617
Net assets released from donor restrictions (Note 8)	2,888,962	(2,888,962)	-
<b>Total support and revenue</b>	<b>8,895,873</b>	<b>(1,486,466)</b>	<b>7,409,407</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Member services	3,043,803	-	3,043,803
Federal and non-federal awards	4,171,582	-	4,171,582
Legislative activities	19,271	-	19,271
<b>Total program services</b>	<b>7,234,656</b>	<b>-</b>	<b>7,234,656</b>
<b>Supporting services:</b>			
General and administrative	1,742,796	-	1,742,796
Fundraising	30,891	-	30,891
<b>Total supporting services</b>	<b>1,773,687</b>	<b>-</b>	<b>1,773,687</b>
<b>Total expenses</b>	<b>9,008,343</b>	<b>-</b>	<b>9,008,343</b>
Change in net assets before other item	(112,470)	(1,486,466)	(1,598,936)
<b>Other item:</b>			
Unrealized and realized gain on investments (Note 2)	96,494	-	96,494
<b>Change in net assets</b>	<b>(15,976)</b>	<b>(1,486,466)</b>	<b>(1,502,442)</b>
Net assets at beginning of year	1,443,234	3,849,403	5,292,637
Net assets at end of year	\$ 1,427,258	\$ 2,362,937	\$ 3,790,195

See notes to financial statements.

**InterAction: The American Council for Voluntary International Action**

**Statement of Functional Expenses  
Year Ended December 31, 2017**

	Member Services	Federal and Non-Federal Awards	Legislative Activities	General and Administrative	Fundraising	Total Expenses
Salaries	\$ 1,138,285	\$ 2,411,754	\$ 5,392	\$ 943,668	\$ 11,700	\$ 4,510,799
Fringe benefits (Note 11)	341,592	690,251	1,585	271,887	3,473	1,308,788
Consulting and professional fees	145,399	354,981	-	6,715	-	507,095
Temporary help	-	-	-	40,163	-	40,163
Computer technical support	-	-	-	129,423	-	129,423
Telephone	15,824	23,060	14	4,474	32	43,404
Office supplies	9,415	20,494	15	11,721	55	41,700
Postage	472	233	-	1,139	-	1,844
Printing and duplication	13,057	14,956	-	954	-	28,967
Subscriptions and publications	31,212	39,446	-	1,352	2,270	74,280
Travel, hotels and meals	81,702	350,245	45	814	-	432,806
Meetings and conferences	435,679	85,970	-	8,148	211	530,008
Legal and audit fees	-	488	-	57,471	-	57,959
Bank charges	-	-	-	23,088	-	23,088
Other	3,602	55	-	35,296	-	38,953
Insurance	-	1,854	-	66,028	-	67,882
Occupancy (Note 9)	-	52,290	-	686,918	-	739,208
Depreciation and amortization	-	-	-	146,825	-	146,825
Furniture and equipment	-	35,733	-	16,231	-	51,964
Repairs, maintenance and equipment rental	14,772	1,966	-	63,230	-	79,968
Education and training	3,423	-	-	893	-	4,316
Sub-grants	-	873,759	-	-	-	873,759
Donated services (Note 7)	-	-	-	25,403	-	25,403
	<b>2,234,434</b>	<b>4,957,535</b>	<b>7,051</b>	<b>2,541,841</b>	<b>17,741</b>	<b>9,758,602</b>
Allocation of general and administrative	<b>226,306</b>	<b>479,611</b>	<b>1,076</b>	<b>(709,325)</b>	<b>2,332</b>	<b>-</b>
	<b>2,460,740</b>	<b>5,437,146</b>	<b>8,127</b>	<b>1,832,516</b>	<b>20,073</b>	<b>9,758,602</b>
Allocation of indirect costs	-	1,040,955	-	(1,040,955)	-	-
<b>Total</b>	<b>\$ 2,460,740</b>	<b>\$ 6,478,101</b>	<b>\$ 8,127</b>	<b>\$ 791,561</b>	<b>\$ 20,073</b>	<b>\$ 9,758,602</b>

See notes to financial statements.



**InterAction: The American Council for Voluntary International Action**

**Statement of Functional Expenses  
Year Ended December 31, 2016**

	Member Services	Federal and Non-Federal Awards	Legislative Activities	General and Administrative	Fundraising	Total Expenses
Salaries	\$ 1,474,849	\$ 1,923,755	\$ 9,978	\$ 978,106	\$ 20,691	\$ 4,407,379
Fringe benefits (Note 11)	442,031	579,183	3,051	291,756	6,761	1,322,782
Consulting and professional fees	190,445	472,340	2,000	15,254	-	680,039
Temporary help	-	-	-	37,564	-	37,564
Telephone	21,124	25,029	27	4,972	55	51,207
Office supplies	10,136	7,722	31	2,809	50	20,748
Postage	364	130	-	783	-	1,277
Printing and duplication	21,849	12,915	12	840	-	35,616
Subscriptions and publications	38,447	19,148	-	2,321	-	59,916
Travel, hotels and meals	59,100	277,002	470	874	-	337,446
Meetings and conferences	435,123	71,646	-	8,221	-	514,990
Legal and audit fees	-	9,908	-	57,499	-	67,407
Bank charges	-	-	-	22,045	-	22,045
Other	4,730	53	-	40,261	-	45,044
Insurance	-	2,199	-	65,148	-	67,347
Occupancy (Note 9)	-	57,290	-	810,376	-	867,666
Depreciation and amortization	-	-	-	71,133	-	71,133
Furniture and equipment	994	2,261	-	9,927	-	13,182
Repairs, maintenance and equipment rental	5,640	16,212	-	55,907	-	77,759
Education and training	3,093	-	-	637	-	3,730
Sub-grants	-	284,939	-	-	-	284,939
Donated services (Note 7)	-	-	-	19,127	-	19,127
	<u>2,707,925</u>	<u>3,761,732</u>	<u>15,569</u>	<u>2,495,560</u>	<u>27,557</u>	<u>9,008,343</u>
Allocation of general and administrative	335,878	409,850	3,702	(752,764)	3,334	-
	<u>3,043,803</u>	<u>4,171,582</u>	<u>19,271</u>	<u>1,742,796</u>	<u>30,891</u>	<u>9,008,343</u>
Allocation of indirect costs	-	829,207	-	(829,207)	-	-
<b>Total</b>	<u>\$ 3,043,803</u>	<u>\$ 5,000,789</u>	<u>\$ 19,271</u>	<u>\$ 913,589</u>	<u>\$ 30,891</u>	<u>\$ 9,008,343</u>

See notes to financial statements.

**InterAction: The American Council for Voluntary International Action**

**Statements of Cash Flows  
Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 482,021	\$ (1,502,442)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	146,825	71,133
Unrealized and realized gains on investments	(255,028)	(96,494)
Deferred rent	395,554	(46,923)
Discount on foundation grants receivable	9,610	(15,663)
Changes in assets and liabilities:		
(Increase) decrease in:		
U.S. Government grants receivable	401,044	(249,191)
Foundation grants receivable	(684,022)	1,545,298
Other receivables	(8,055)	42,877
Prepaid expenses	(109,846)	100,332
Security deposits	(111)	(114)
Increase (decrease) in:		
Accounts payable	17,101	50,604
Accrued employee benefits	6,044	(22,634)
Deferred – other	(34,139)	(175,951)
<b>Net cash provided by (used in) operating activities</b>	<b>366,998</b>	<b>(299,168)</b>
Cash flows from investing activities:		
Purchase of property and equipment	(43,947)	(14,336)
Proceeds from sales of investments	221,786	147,283
Purchases of investments	(204,407)	(149,074)
<b>Net cash used in investing activities</b>	<b>(26,568)</b>	<b>(16,127)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>340,430</b>	<b>(315,295)</b>
Cash and cash equivalents:		
Beginning	1,642,125	1,957,420
Ending	\$ 1,982,555	\$ 1,642,125
Supplemental schedules of noncash investing and financing activities:		
Acquisition of leasehold improvements included in payables	\$ -	\$ 22,718
Acquisition of leasehold improvements through landlord incentive	\$ -	\$ 1,335,015

See notes to financial statements.

## InterAction: The American Council for Voluntary International Action

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** InterAction: 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 183 members operating in every developing country, InterAction works to overcome poverty, exclusion and suffering by advancing social justice and dignity for all.

A summary of the InterAction's significant accounting policies follows:

**Basis of accounting:** InterAction's financial statements have been prepared on the accrual basis of accounting, whereby unconditional support is recognized when notification of the contribution is received, revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation:** The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

**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.

**Investments:** Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

**Financial risk:** InterAction maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. InterAction has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

InterAction invests in a professionally managed portfolio that contains exchange traded funds during the years ended December 31, 2017 and 2016, which are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

**Grants receivables:** Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that all receivables are collectible; thus, there was no provision for doubtful accounts at December 31, 2017 and 2016.

**Property, equipment and leasehold improvements:** All purchases of property, equipment and leasehold improvements in excess of \$500 are capitalized and stated at cost less accumulated depreciation and amortization. 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 amortized over the life of the lease.

## InterAction: The American Council for Voluntary International Action

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Valuation of long-lived assets:** InterAction accounts for long-lived assets in accordance with subsections of the FASB ASC Topic, Property, Plant and Equipment, which addresses Impairment or Disposal of Long-Lived Assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

**Deferred rent:** InterAction has a lease agreement for rental space in Washington, D.C. The lease agreement provides for a period of free rent and escalated payments over the life of the lease. Rent expense is being recognized on a straight-line basis over the term of the lease. The difference between the expense and the cash payments is reported as deferred rent. The amount also includes the improvement allowances which are amortized on a straight-line basis over the life of the lease.

**Net assets:** The financial statement presentation follows the recommendation of the Not-for-Profit Topic of the FASB ASC. Under this Topic, InterAction is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Unrestricted net assets** are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**Temporarily restricted net assets** result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of InterAction pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or used for specified purposes.

**Permanently restricted net assets** result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by InterAction's actions. There were no permanently restricted net assets at December 31, 2017 and 2016.

**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 yet reimbursed from the granting agency is reported as grants receivable in the accompanying balance sheets. Conversely, payments received in advance of incurring allowable direct and indirect costs are reported as a refundable advance in the accompanying balance sheets. 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 statements 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 membership dues in the accompanying financial statements. Revenue from all other sources is recognized when earned.

## InterAction: The American Council for Voluntary International Action

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Income taxes:** InterAction is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, InterAction qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income from certain activities not directly related to InterAction's exempt purpose, less applicable deductions, is subject to taxation as unrelated business income. For the year ended December 31, 2017, InterAction had net unrelated business income totaling \$41,232. For the year ended December 31, 2016, InterAction had net unrelated business income totaling \$49,996.

Management evaluated InterAction's tax positions and concluded that InterAction had taken no uncertain tax positions that require adjustment to the financial statements. Generally, InterAction is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2014.

**Functional expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of InterAction and are allocated using a percentage of direct expenses for each function on the statements of activities.

**Allocation of indirect costs:** During 2017 and 2016, indirect costs were allocated to federal grants based upon provisional rates of 45.60%.

The indirect rate is calculated using a base of salaries, benefits, and 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.

**Reclassifications:** Certain items in the December 31, 2016, financial statements have been reclassified to conform to the December 31, 2017, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

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

**Pending accounting pronouncements:** In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. InterAction is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. A lessee is required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The ASU is expected to impact InterAction's financial statements as InterAction has certain operating lease arrangements for which it is the lessee. The standard is effective on January 1, 2020, with early adoption permitted. InterAction is currently evaluating the impact the adoption of this guidance will have on its financial statements.

## InterAction: The American Council for Voluntary International Action

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. InterAction is currently evaluating the impact the adoption of this guidance will have on its financial statements.

**Subsequent events:** InterAction evaluated subsequent events through June 11, 2018, which is the date the financial statements were available to be issued.

#### Note 2. Investments

Investments consisted of the following at December 31, 2017 and 2016:

	2017	2016
Exchange traded funds	\$ 1,486,659	\$ 1,249,010

The cost of the exchange traded funds was \$1,242,797 at December 31, 2017. The cost of the exchange traded funds was \$1,244,444 at December 31, 2016.

Investment income, net, for the years ended December 31, 2017 and 2016, consisted of the following:

	2017	2016
Realized and unrealized gain on investments, net	\$ 255,028	\$ 96,494
Interest and dividends	39,789	34,984
Investment fees	(11,855)	(10,260)
	\$ 282,962	\$ 121,218

#### Note 3. Fair Value Measurements

The Fair Value Measurement topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. 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). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

**Level 1:** Quoted market prices in active markets for identical assets or liabilities

**Level 2:** Observable market-based inputs or unobservable inputs corroborated by market data

**Level 3:** Unobservable inputs that are not corroborated by market data

## InterAction: The American Council for Voluntary International Action

### Notes to Financial Statements

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#### Note 3. Fair Value Measurements (Continued)

In determining the appropriate levels, InterAction performs a detailed analysis of the assets and liabilities that are subject to accounting for fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 2 or Level 3 inputs for any assets held by InterAction at December 31, 2017 and 2016. There were no liabilities subject to these provisions at December 31, 2017 and 2016.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2017 and 2016:

	2017	2016
Exchange traded funds:		
Consumer cyclical	\$ 96,716	\$ 106,227
Technology	272,853	167,367
Real estate	23,618	20,572
Health	128,508	112,900
Financial	63,440	27,808
Large blend	340,792	288,646
Natural resources	16,267	20,014
Equity energy	-	61,988
Industrials	129,557	100,416
Foreign large blend	344,079	288,672
Consumer defensive	70,829	54,400
	<u>\$ 1,486,659</u>	<u>\$ 1,249,010</u>

InterAction's exchange traded funds are publicly traded on the New York Stock Exchange and are considered Level 1 items.

#### Note 4. 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 1% and 3.25% for 2017 and 2016, respectively.

Foundation grants receivable are due as follows at December 31, 2017 and 2016:

	2017	2016
Less than one year	\$ 819,006	\$ 777,489
One to five years	642,505	-
Total	<u>1,461,511</u>	<u>777,489</u>
Less allowance to discount balance to present value	9,610	-
Foundation grants receivable, net	<u>\$ 1,451,901</u>	<u>\$ 777,489</u>

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#### Note 5. 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, 2017, InterAction has received awards from the U.S. Government totaling \$12,210,123 of which \$9,658,034 has been obligated and disbursed. As of December 31, 2017, InterAction has an unobligated balance of \$2,552,089 (these figures reflect InterAction's current/open awards). The unobligated balance due under U.S. Government awards has not been included in the accompanying financial statements.

#### Note 6. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements and accumulated depreciation at December 31, 2017, and depreciation expense for the year ended December 31, 2017, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net Value 2017	Depreciation Expense 2017
Leasehold improvements	10 years	\$ 1,756,020	\$ 676,099	\$ 1,079,921	\$ 112,687
Furniture and fixtures	5-7 years	198,527	39,832	158,695	27,267
Equipment and computers	5 years	252,071	217,747	34,324	6,871
		<u>\$ 2,206,618</u>	<u>\$ 933,678</u>	<u>\$ 1,272,940</u>	<u>\$ 146,825</u>

Property, equipment leasehold improvements and accumulated depreciation at December 31, 2016, and depreciation expense for the year ended December 31, 2016, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net Value 2016	Depreciation Expense 2016
Leasehold improvements	10 years	\$ 1,756,020	\$ 563,412	\$ 1,192,608	\$ 52,462
Furniture and fixtures	5-7 years	192,025	12,565	179,460	-
Equipment and computers	5 years	214,626	210,876	3,750	18,671
		<u>\$ 2,162,671</u>	<u>\$ 786,853</u>	<u>\$ 1,375,818</u>	<u>\$ 71,133</u>

#### Note 7. In-Kind Contributions

During the years ended December 31, 2017 and 2016, InterAction was the beneficiary of donated services which allow InterAction to provide greater resources towards various programs. To properly reflect total program expenses, donated services have been included in revenue and expenses during the years ended December 31, 2017 and 2016, and totaled to \$25,403 and \$19,127, respectively.



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### Notes to Financial Statements

#### Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted funds which are only available for specific programs or general support designated for future years. Temporarily restricted net assets were released from restrictions during the years ended December 31, 2017 and 2016, due to the time restriction ending or satisfaction of purpose restrictions.

Changes in temporarily restricted net assets during the year ended December 31, 2017, are as follows:

	Balance December 31, 2016	Additions	Released	Balance December 31, 2017
International Fund for Agricultural Development	\$ 336,273	\$ -	\$ (321,375)	\$ 14,898
UPS	2,068	-	-	2,068
Alliance for International Youth Development	21,136	40,000	(22,554)	38,582
Global Public Policy Institute	6,868	-	-	6,868
Business Council	-	75,000	(56,054)	18,946
Wallace Genetic Foundation	75,000	-	(75,000)	-
Rockefeller Foundation	293,930	-	(174,574)	119,356
Fedex – NGO Aid Map Phase IV	32,448	-	(32,448)	-
Fedex – NGO Aid Map Phase V	-	150,000	(112,766)	37,234
Connect USA – Partner Vetting System	551	-	-	551
Water Aid America	2,538	-	-	2,538
Cost Recovery Project	1,600	-	-	1,600
Global Standards	43,736	70,262	(82,892)	31,106
Global Food Security	55,155	-	(55,155)	-
Gates Foundation – AG Mapping	1,286,391	-	(1,277,782)	8,609
DRG Initiative	15,147	80,000	(81,138)	14,009
Foundation to Promote Open Society	1,627	-	(1,627)	-
Wellspring	43,951	-	(43,951)	-
Gates Foundation – Transition	144,518	-	(144,518)	-
Gates Foundation – Advocacy	-	2,539,509	(391,222)	2,148,287
Together Project	-	125,118	(102,422)	22,696
New Venture Fund	-	49,512	(49,512)	-
Wallace Global	-	50,000	(22,676)	27,324
Wellspring Phase II	-	125,000	(33,071)	91,929
Rockefeller – disinformation	-	50,000	(3,945)	46,055
Foundation to Promote Open Society – The Project	-	200,100	(35,499)	164,601
HIAS	-	15,000	(14,761)	239
Risk Phase II	-	5,000	-	5,000
	<u>\$ 2,362,937</u>	<u>\$ 3,574,501</u>	<u>\$ (3,134,942)</u>	<u>\$ 2,802,496</u>

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### Notes to Financial Statements

#### Note 8. Temporarily Restricted Net Assets (Continued)

Changes in temporarily restricted net assets during the year ended December 31, 2016, are as follows:

	Balance December 31,			Balance December 31,
	2015	Additions	Released	
International Fund for Agricultural Development	\$ 506,555	\$ -	\$ (170,281)	\$ 336,274
UPS	2,068	-	-	2,068
ECHO-IRC	21,656	-	(21,656)	-
Alliance for International Youth Development	-	44,712	(23,576)	21,136
Global Public Policy Institute	6,868	-	-	6,868
Gates Foundation – General Operation Support	750,000	-	(750,000)	-
Business Council	-	75,000	(75,000)	-
Wallace Genetic Foundation	18,092	75,000	(18,092)	75,000
Rockefeller Foundation	66,249	300,000	(72,319)	293,930
Fed Ex – NGO Aid Map Phase IV	3,190	270,000	(240,743)	32,447
Connect USA – Partner Vetting System	551	-	-	551
Water Aid America	2,538	-	-	2,538
Cost Recovery Project	1,600	-	-	1,600
Global Standards	39,519	62,428	(58,211)	43,736
Global Food Security	126,944	150,000	(221,789)	55,155
Gates Foundation – New Narrative	264,585	-	(264,585)	-
Gates Foundation – AG Mapping	1,973,436	15,663	(702,708)	1,286,391
DRG Initiative	42,043	60,000	(86,896)	15,147
Foundation to Promote Open Society	23,509	-	(21,882)	1,627
Wellspring	-	100,000	(56,049)	43,951
Gates Foundation – Transition	-	249,693	(105,175)	144,518
	<u>\$ 3,849,403</u>	<u>\$ 1,402,496</u>	<u>\$ (2,888,962)</u>	<u>\$ 2,362,937</u>

#### Note 9. Commitments

**Lease:** InterAction has entered into a lease agreement for office space which is currently set to expire on July 31, 2027. The lease provides for an annual rental increase of 2.5% and straight-line monthly expense of approximately \$71,500 over the life of the lease. The lease also requires InterAction to pay its proportionate share of the building's real estate taxes and operating expenses. The value of the fixed annual increases has been deferred for the difference between the pro rata expense recognized and the total amounts paid to date under the lease and is being recognized ratably over the term of the lease. A tenant improvement allowance totaling \$1,335,015 was allotted by the landlord for the space, which is amortized on a straight-line basis over the life of the lease. Both liabilities are included in the deferred rent total on the balance sheets.

## InterAction: The American Council for Voluntary International Action

### Notes to Financial Statements

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#### Note 9. Commitments (Continued)

Future minimum lease payments required under the non-cancelable operating lease are as follows:

Years ending December 31:	
2018	\$ 823,984
2019	844,584
2020	865,698
2021	887,341
2022	909,524
Thereafter	4,471,509
	<u>\$ 8,802,640</u>

Occupancy expense for the years ended December 31, 2017 and 2016, totaled \$739,208 and \$867,666, respectively. Sublease income received during the year ended December 31, 2016, totaled \$38,750, and the subleases expired on July 31, 2016.

**Hotel contracts:** InterAction has entered into contracts during 2017 and subsequent to year-end for hotel rooms and use of facilities relating to its 2018 conferences and meetings. In the event of cancellation, InterAction is required to pay various costs as stipulated in the contracts, the amount of which is dependent upon the date of cancellation.

#### Note 10. Contingency

The funds which InterAction receives from U.S. Government grants are subject to audit under the provisions of the Uniform Guidance. 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 the Uniform Guidance have been completed for all required fiscal years through 2017. 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.

#### Note 11. Retirement and Severance Plans

**Retirement:** InterAction has a non-contributory defined contribution pension plan in accordance with Section 401(a) of the IRC. 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 was \$333,987 and \$377,923 for the years ended December 31, 2017 and 2016, 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 2017 and 2016.

**Severance:** Full-time employees who are terminated involuntarily, as defined in the agreement, receive one week's severance per full year of employment, not to exceed 12 weeks in total. The severance liability totaled \$168,867 and \$171,518, respectively, at December 31, 2017 and 2016, and is included in accrued employee benefits on the balance sheets. Total severance expense under this plan was \$37,243 and \$43,173 for the years ended December 31, 2017 and 2016, respectively, and is included in fringe benefits in the statements of functional expenses.