

**INTERACTION: THE AMERICAN COUNCIL FOR
VOLUNTARY INTERNATIONAL ACTION, INC.**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018



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**INTERACTION: THE AMERICAN COUNCIL FOR
VOLUNTARY INTERNATIONAL ACTION, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
InterAction: The American Council for Voluntary International Action, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of InterAction: The American Council for Voluntary International Action, Inc. (InterAction), which comprise the statements of financial position as of December 31, 2019 and 2018, and 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.

Auditors' 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 auditors' 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 as of December 31, 2019 and 2018, 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.

Board of Directors
InterAction: The American Council for Voluntary International Action, Inc.

Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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* in considering InterAction's internal control over financial reporting and compliance.

Change in Accounting Principles

As discussed in Note 1 to the financial statements, InterAction has adopted Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Greenbelt, Maryland
September 25, 2020

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS	2019	2018
Cash and Cash Equivalents	\$ 279,768	\$ 1,842,100
Investments (Notes 2 and 3)	2,863,738	2,240,232
U.S. Government Grants Receivable	1,525,628	211,841
Foundation Grants Receivable, Net (Note 4)	87,131	758,686
Refundable Advances Field Partners	261,620	-
Other Receivables	2,327	6,519
Prepaid Expenses	202,234	175,134
Security Deposits	75,479	75,310
Property, Equipment and Leasehold Improvements, Net (Note 6)	1,035,632	1,183,485
Total Assets	\$ 6,333,557	\$ 6,493,307
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 44,709	\$ 95,259
Accrued Employee Benefits (Note 11)	163,815	144,411
Deferred Rent	1,594,401	1,708,478
Deferred Revenue	52,250	-
Refundable Advances (Note 5)	626,823	1,979,290
Total Liabilities	2,481,998	3,927,438
NET ASSETS		
Without Donor Restrictions	1,674,277	1,108,270
With Donor Restrictions (Note 8)	2,177,282	1,457,599
Total Net Assets	3,851,559	2,565,869
Total Liabilities and Net Assets	\$ 6,333,557	\$ 6,493,307

See accompanying Notes to Financial Statements.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
U.S. Government Grants (Notes 5 and 10)	\$ 3,012,259	\$ -	\$ 3,012,259	\$ 2,152,910	\$ -	\$ 2,152,910
Foundation and Other Restricted Grants	795,699	2,543,290	3,338,989	247,471	607,911	855,382
Membership Dues	2,638,325	-	2,638,325	2,674,525	-	2,674,525
Online Job Board	44,246	-	44,246	39,957	-	39,957
Forum, Meetings, and Workshops	286,695	-	286,695	390,201	-	390,201
Interest and Dividends (Note 2)	48,780	-	48,780	44,819	-	44,819
In-kind Contributions (Note 7)	21,223	-	21,223	-	-	-
Other contributions	12,098	-	12,098	-	-	-
Other Income	25,050	-	25,050	43,273	-	43,273
Net Assets Released from Donor Restrictions (Note 8)	1,823,607	(1,823,607)	-	1,952,808	(1,952,808)	-
Total Support and Revenue	<u>8,707,982</u>	<u>719,683</u>	<u>9,427,665</u>	<u>7,545,964</u>	<u>(1,344,897)</u>	<u>6,201,067</u>
Expenses						
Program Services Expense:						
Member Services	1,500,565	-	1,500,565	2,148,790	-	2,148,790
Federal and Non-Federal Awards	5,093,598	-	5,093,598	4,118,288	-	4,118,288
Legislative Activities	17,980	-	17,980	17,012	-	17,012
Total Program Services	<u>6,612,143</u>	<u>-</u>	<u>6,612,143</u>	<u>6,284,090</u>	<u>-</u>	<u>6,284,090</u>
Support Services:						
General and Administrative	1,881,207	-	1,881,207	1,475,355	-	1,475,355
Fundraising	13,253	-	13,253	8,315	-	8,315
Total Supporting Services	<u>1,894,460</u>	<u>-</u>	<u>1,894,460</u>	<u>1,483,670</u>	<u>-</u>	<u>1,483,670</u>
Total Expenses	<u>8,506,603</u>	<u>-</u>	<u>8,506,603</u>	<u>7,767,760</u>	<u>-</u>	<u>7,767,760</u>
CHANGE IN NET ASSETS BEFORE OTHER ITEM	201,379	719,683	921,062	(221,796)	(1,344,897)	(1,566,693)
Other Item						
Unrealized and Realized (Loss) Gain on Investments, Net and Investment Fees (Note 2)	364,628	-	364,628	(139,654)	-	(139,654)
Change in net assets	<u>566,007</u>	<u>719,683</u>	<u>1,285,690</u>	<u>(361,450)</u>	<u>(1,344,897)</u>	<u>(1,706,347)</u>
Net Assets - Beginning of Year	<u>1,108,270</u>	<u>1,457,599</u>	<u>2,565,869</u>	<u>1,469,720</u>	<u>2,802,496</u>	<u>4,272,216</u>
NET ASSETS - END OF YEAR	<u>\$ 1,674,277</u>	<u>\$ 2,177,282</u>	<u>\$ 3,851,559</u>	<u>\$ 1,108,270</u>	<u>\$ 1,457,599</u>	<u>\$ 2,565,869</u>

See accompanying Notes to Financial Statements.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services				General and Administrative	Fundraising	Total
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total			
Salaries	\$ 746,959	\$ 2,684,725	\$ 10,647	\$ 3,442,331	\$ 954,936	\$ 8,571	\$ 4,405,838
Fringe Benefits (Note 11)	215,698	683,706	1,203	900,607	137,484	2,689	1,040,780
Consulting and Professional Fees	28,982	325,666	-	354,648	152,827	4	507,479
Temporary Help	-	-	-	-	828	-	828
Computer Technical Support	-	25	-	25	130,725	-	130,750
Telephone	3,616	22,023	22	25,661	9,737	69	35,467
Office Supplies	5,420	29,851	16	35,287	6,040	28	41,355
Postage	144	207	-	351	788	-	1,139
Printing and Duplication	6,391	27,318	391	34,100	14,510	-	48,610
Subscription and Publications	20,420	39,241	-	59,661	2,350	-	62,011
Travel, Hotels, and Meals	9,300	363,658	185	373,143	21,880	-	395,023
Meetings and Conferences	289,896	62,978	3,216	356,090	30,307	-	386,397
Legal and Audit Fees	-	2,864	-	2,864	82,781	-	85,645
Bank Charges	-	-	-	-	6,766	-	6,766
Other	1,133	38	-	1,171	3,915	-	5,086
Insurance	-	2,854	-	2,854	73,279	-	76,133
Occupancy (Note 9)	-	50,000	-	50,000	696,206	-	746,206
Depreciation and Amortization	-	-	-	-	167,792	-	167,792
Furniture and Equipment	3,418	20,001	-	23,419	1,631	-	25,050
Repairs, Maintenance and Equipment Rental	9,925	6,339	-	16,264	71,701	-	87,965
Education and Training	626	357	-	983	4,036	-	5,019
Sub-Grants	-	245,264	-	245,264	-	-	245,264
To Be Assigned	-	-	-	-	-	-	-
Donated Services (Note 7)	-	-	-	-	-	-	-
Total Expenses by Function	1,341,928	4,567,115	15,680	5,924,723	2,570,519	11,361	8,506,603
Allocation of General and Administrative	158,637	526,483	2,300	687,420	(689,312)	1,892	-
	<u>1,500,565</u>	<u>5,093,598</u>	<u>17,980</u>	<u>6,612,143</u>	<u>1,881,207</u>	<u>13,253</u>	<u>8,506,603</u>
Allocation of Indirect Costs	-	913,057	788	913,845	(913,845)	-	-
Total	\$ 1,500,565	\$ 6,006,655	\$ 18,768	\$ 7,525,988	\$ 967,362	\$ 13,253	\$ 8,506,603

See accompanying Notes to Financial Statements.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services				General and Administrative	Fundraising	Total
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total			
Salaries	\$ 1,016,967	\$ 2,365,349	\$ 10,809	\$ 3,393,125	\$ 713,612	\$ 4,593	\$ 4,111,330
Fringe Benefits (Note 11)	312,513	501,265	3,422	817,200	145,631	1,221	964,052
Consulting and Professional Fees	106,579	260,006	-	366,585	24,068	-	390,653
Temporary Help	-	-	-	-	17,142	-	17,142
Computer Technical Support	-	-	-	-	178,846	-	178,846
Telephone	12,159	20,765	33	32,957	2,810	20	35,787
Office Supplies	6,245	11,511	39	17,795	3,729	12	21,536
Postage	319	254	-	573	582	-	1,155
Printing and Duplication	16,606	15,915	-	32,521	(2,023)	6	30,504
Subscription and Publications	24,539	27,026	-	51,565	844	948	53,357
Travel, Hotels, and Meals	50,215	217,026	-	267,241	1,252	-	268,493
Meetings and Conferences	338,410	65,362	-	403,772	19,667	-	423,439
Legal and Audit Fees	-	9,314	-	9,314	74,955	-	84,269
Bank Charges	-	-	-	-	8,324	-	8,324
Other	3,801	31,191	-	34,992	38,875	355	74,222
Insurance	-	2,104	-	2,104	65,811	-	67,915
Occupancy (Note 9)	-	39,800	-	39,800	731,118	-	770,918
Depreciation and Amortization	-	-	-	-	156,939	-	156,939
Furniture and Equipment	611	10,752	-	11,363	3,695	-	15,058
Repairs, Maintenance and Equipment Rental	3,760	26,038	-	29,798	79,281	-	109,079
Education and Training	3,978	-	-	3,978	609	-	4,587
Sub-Grants	-	(19,845)	-	(19,845)	-	-	(19,845)
Total Expenses by Function	1,896,702	3,583,833	14,303	5,494,838	2,265,767	7,155	7,767,760
Allocation of General and Administrative	252,088	534,455	2,709	789,252	(790,412)	1,160	-
Allocation of Indirect Costs	-	765,159	-	765,159	(765,159)	-	-
Total	\$ 2,148,790	\$ 4,883,447	\$ 17,012	\$ 7,049,249	\$ 710,196	\$ 8,315	\$ 7,767,760

See accompanying Notes to Financial Statements.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,285,690	\$ (1,706,347)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	167,792	156,939
Unrealized and Realized (Gain) Loss on Investments	(378,352)	126,305
Deferred Rent	(114,077)	(93,478)
Donated Stock	(21,223)	-
Discount on Foundation Grants Receivable	-	(9,610)
Changes in Assets and Liabilities:		
(Increase) Decrease in:		
U.S. Government Grants Receivable	(1,313,787)	(46,508)
Foundation Grants Receivable	671,555	702,825
Refundable Advances Field Partners	(261,620)	-
Other Receivables	4,192	5,361
Prepaid Expenses	(27,100)	12,408
Security Deposits	(169)	-
Increase (Decrease) in:		
Accounts Payable	(50,550)	(91,035)
Accrued Employee Benefits	19,404	(199,243)
Deferred Revenue	52,250	-
Refundable Advances	(1,352,467)	1,949,290
Net Cash (Used) Provided by Operating Activities	(1,318,462)	806,907
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(19,939)	(67,484)
Proceeds from Sales of Investments	(1,106,759)	282,606
Purchase of Investments	882,828	(311,027)
Net Cash Used by Investing Activities	(243,870)	(95,905)
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,562,332)	711,002
 Cash and Cash Equivalents - Beginning of Year	1,842,100	1,131,098
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 279,768	\$ 1,842,100

See accompanying Notes to Financial Statements.

**INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of organization: InterAction: The American Council for Voluntary International Action, Inc. (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 185 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, and 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: For purposes of the statements of cash flows, cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased that are used to fund current obligations. Cash and certificates of deposit held for investment are recorded and classified as investments. Previously, cash and certificates of deposit held for investment were included in cash and cash equivalents for purposes of the statements of cash flows.

Liquidity: Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	2019	2018
Financial Assets:		
Cash and Cash Equivalents	\$ 279,768	\$ 1,842,100
Investments	2,863,738	2,240,232
U.S. Government Grants Receivable	1,525,628	211,841
Foundation Grants Receivable, Net	87,131	758,686
Other Receivables	2,327	6,519
Total Financial Assets	4,758,592	5,059,378
Less: Amounts Not Available for General Expenditure		
Within One Year, Due to:		
Amounts Subject to Donor Restrictions	(2,177,282)	(1,457,599)
Financial Assets Available to Meet General Expenditures		
Over the Next Twelve Months	\$ 2,581,310	\$ 3,601,779

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

InterAction manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date by investing in exchange traded funds and certificates of deposit.

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, 2019 and 2018, 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.

Receivables: Receivables are carried at original invoice amounts. InterAction does not have a provision for doubtful accounts because the organization does not sell any goods or services that require the collection of revenue. Membership, sponsorships, and contributions are voluntary. Receivables for unpaid membership or sponsorships are credited against the receivable. Management has determined that all receivables are collectible; thus, there was no provision for doubtful accounts at December 31, 2019 and 2018.

Refundable Advances Field Partners: Advance payments are made to field partners for projects. Expenses are recognized when project costs are incurred and approved by InterAction.

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.

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.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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: For financial statement purposes, net assets consist of the following:

Net assets without donor restrictions: Represent funds available for general operations or that have been designated by the board of directors for a particular purpose.

Net assets with donor restrictions: Represent net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of InterAction and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 statements of financial position. Conversely, payments received in advance of incurring allowable direct and indirect costs are 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 support with donor restriction if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. InterAction reports amounts restricted by donors, that were initially conditional, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) simultaneous to conditions being met.

Certain contributions of donated stock 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 statements of financial position. Revenue from all other sources is recognized when earned and if received in advance presented as deferred revenue in the accompanying statements of financial position.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**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.

Management evaluated InterAction's tax positions and concluded that InterAction had taken no uncertain tax positions that require adjustment to the financial statements.

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: For the year ended December 31, 2018, indirect costs were allocated to federal grants based upon provisional rates of 29.99% for fringe and 45.60% for overhead. The final approved rates for December 31, 2018 were 22.71% for fringe and 48.93% for overhead and a true-up was done during 2019.

For the year ended December 31, 2019, indirect cost rates utilized were 22.71% for fringe and 48.93% for overhead, as no provisional or approved rates for 2019 have been received to date.

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.

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 June 2020, the FASB issued ASU No. 2020-05, which allows entities who have not yet issued their financial statements to delay implementation of ASU 2014-09 for one year. InterAction is currently evaluating the impact the adoption of this guidance will have on its financial statements and will implement this standard with their December 31, 2020 financial statements.

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. In June 2020, the FASB issued ASU No. 2020-05, which allows entities to delay implementation of ASU 2016-02 for one year. InterAction is currently evaluating the impact the adoption of this guidance will have on its financial statements and will implement this standard with their December 31, 2022 financial statements.

New accounting pronouncement: In June of 2018 the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU is intended to assist entities in evaluating whether transactions should be accounted for and reported as contributions or as exchange transactions (subject to ASU 2014-09, Revenue from Contracts with Customers), and in determining whether a contribution is conditional or unconditional.

The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents a payment from a third-party payor on behalf of an existing exchange transaction between the recipient and an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as a foundation, government agency, corporation or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is considered a contribution for accounting purposes.

The ASU has been applied using the modified prospective approach. In accordance with the ASU, InterAction has determined that a previously unrecognized promise to give in the amount of \$1,979,290 should be reported in the statement of financial position and the statement of activities as an increase in net assets with donor restrictions.

Subsequent events: InterAction evaluated subsequent events through September 25, 2020, which is the date the financial statements were available to be issued.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. We are closely monitoring our investment portfolio and its liquidity and are actively working to minimize the impact of these declines. Our financial statements do not include adjustments to fair value that have resulted from these declines.

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**NOTE 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Subsequent events (continued): In May 2020, InterAction obtained a CARES Act term loan of \$945,892 from a financial institution. The loan requires monthly payments of principal and interest at 1.00% starting in November 2020 and is due May 2022. The CARES Act loan includes a feature that allows for forgiveness of the loan if the funds are used to cover certain operating expense items. InterAction intends to seek loan forgiveness of the full loan amount in accordance with SBA guidelines pursuant to the CARES Act. Repayment terms will be determined once the lending institution has processed the loan forgiveness application and determined the final loan amount.

Reclassification: Certain amounts in the 2018 financial statements have been reclassified to conform to the presentation of the 2019 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

NOTE 2 INVESTMENTS

Investments consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Exchange Traded Funds	\$ 1,746,758	\$ 1,382,796
Cash and Certificates of Deposit	1,116,980	857,436
Total Investments	<u>\$ 2,863,738</u>	<u>\$ 2,240,232</u>

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

	<u>2019</u>	<u>2018</u>
Realized and Unrealized Gain (Loss) on Investments, Net	\$ 378,352	\$ (126,305)
Interest and Dividends	48,780	44,819
Investment Fees	(13,724)	(13,349)
	<u>\$ 413,408</u>	<u>\$ (94,835)</u>

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 on the following page.

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NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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 3 inputs for any assets held by InterAction at December 31, 2019 and 2018. There were no liabilities subject to these provisions at December 31, 2019 and 2018.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2019 and 2018.

Exchange Traded Funds: Valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end.

Certificates of Deposit: Valued using quoted market prices for similar assets in active markets.

The following summarizes investments using fair value measurements at December 31:

	2019	2018
Exchange Traded Funds, Level 1:		
Consumer Cyclical	\$ 99,333	\$ 101,485
Technology	192,775	211,932
Real Estate	27,958	21,669
Health	121,625	110,412
Financial	123,894	45,854
Large Blend	411,602	315,884
Natural Resources	55,461	15,184
Industrials	92,794	96,689
Foreign Large Blend	399,201	324,165
Consumer Defensive	105,366	50,894
Communication Services	84,628	88,628
Equity energy	32,121	-
Total Exchange Traded Funds	1,746,758	1,382,796
Certificates of Deposit, Level 2	1,062,033	328,358
Total Investments Using Fair Value Measurements	2,808,791	1,711,154
Cash	54,947	529,078
Total Investments	\$ 2,863,738	\$ 2,240,232

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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. There were no multi-year grants or contributions received during December 31, 2019 and 2018 that were discounted.

Foundation grants receivable are due as follows at December 31, 2018 and 2017:

	<u>2019</u>	<u>2018</u>
Less than One Year	\$ 87,131	\$ 758,686
One to Five Years	-	-
Total	<u>87,131</u>	<u>758,686</u>
Less: Allowance to Discount Balance to Present Value	-	-
Foundation Grants Receivable, Net	<u>\$ 87,131</u>	<u>\$ 758,686</u>

NOTE 5 CONDITIONAL AWARDS

A portion of InterAction's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when InterAction has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. InterAction received cost-reimbursable grants of \$7,836,389 of which \$1,316,908 was not recognized as of December 31, 2019 because qualifying expenditures have not yet been incurred, with advance payments of \$626,823 recognized in the statements of financial position as refundable advances.

NOTE 6 PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Property, equipment and leasehold improvements and accumulated depreciation at December 31, 2019, and depreciation expense for the year ended December 31, 2019, are as follows:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Depreciation Expense</u>
Leasehold Improvements	10 years	\$ 1,756,020	\$ 901,474	\$ 854,546	\$ 112,687
Furniture and Fixtures	5-7 years	206,406	98,131	108,275	29,321
Equipment and Computers	5 years	331,616	258,805	72,811	25,784
		<u>\$ 2,294,042</u>	<u>\$ 1,258,410</u>	<u>\$ 1,035,632</u>	<u>\$ 167,792</u>

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NOTE 6 PROPERTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (CONTINUED)

Property, equipment and leasehold improvements and accumulated depreciation at December 31, 2018, and depreciation expense for the year ended December 31, 2018, are as follows:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Depreciation Expense</u>
Leasehold Improvements	10 years	\$ 1,756,020	\$ 788,786	\$ 967,234	\$ 112,687
Furniture and Fixtures	5-7 years	206,406	68,810	137,596	28,978
Equipment and Computers	5 years	311,574	232,919	78,655	15,274
		<u>\$ 2,274,000</u>	<u>\$ 1,090,515</u>	<u>\$ 1,183,485</u>	<u>\$ 156,939</u>

NOTE 7 IN-KIND CONTRIBUTIONS

During the year ended December 31, 2019, InterAction was the beneficiary of donated stocks which were liquidated for a total of \$21,223. The donated stocks have been included in revenue during the year ended December 2019. There were no in-kind contributions during the year ended December 31, 2018.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets include funds which are only available for specific programs or general support designated for future years. Donor restricted net assets were released from restrictions during the years ended December 31, 2019 and 2018, due to the time restriction ending or satisfaction of purpose restrictions.

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NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in donor restricted net assets during the year ended December 31, 2019, are as follows:

	Balance December 31, 2018	Additions	Released	Balance December 31, 2019
UPS	\$ 2,068	\$ -	\$ -	\$ 2,068
UPS Diversity	-	80,000	-	80,000
Alliance for International Youth Development	52,390	-	(26,856)	25,534
Global Public Policy Institute	6,868	-	-	6,868
Wallace Genetic Foundation	17,226	-	(14,712)	2,514
Wallace Genetics - Wash	8,491	25,000	(19,257)	14,234
Connect USA – Partner Vetting System	551	-	-	551
Water Aid America	2,538	-	-	2,538
Cost Recovery Project	1,600	-	-	1,600
DRG Initiative	12,418	96,000	(55,757)	52,661
Swiss Fed Department	104,683	-	(104,683)	-
Gates Foundation – Advocacy	1,131,298	-	(752,006)	379,292
Together Project	13,557	103,000	(91,493)	25,064
Wellspring Phase II	85,762	150,000	(105,802)	129,960
OSF	-	110,000	(65,635)	44,365
HIAS	239	-	-	239
MACphil	-	1,979,290	(575,446)	1,403,844
Risk Phase II	17,910	-	(11,960)	5,950
	<u>\$ 1,457,599</u>	<u>\$ 2,543,290</u>	<u>\$ (1,823,607)</u>	<u>\$ 2,177,282</u>

INTERACTION: THE AMERICAN COUNCIL FOR VOLUNTARY INTERNATIONAL ACTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in net assets with donor restrictions during the year ended December 31, 2018, are as follows:

	Balance December 31, 2017	Additions	Released	Balance December 31, 2018
International Fund for Agricultural Development	\$ 14,898	\$ 3,829	\$ (18,727)	\$ -
UPS	2,068	-	-	2,068
Alliance for International Youth Development	38,582	30,000	(16,192)	52,390
Global Public Policy Institute	6,868	-	-	6,868
Business Council	18,946	-	(18,946)	-
Wallace Genetic Foundation	-	80,000	(62,774)	17,226
Wallace Genetics - Wash	-	25,000	(16,509)	8,491
Rockefeller Foundation	119,356	-	(119,356)	-
FedEx – NGO Aid Map Phase V	37,234	-	(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	31,106	-	(31,106)	-
Gates Foundation – AG Mapping	8,609	-	(8,609)	-
DRG Initiative	14,009	70,000	(71,591)	12,418
Swiss Fed Department	-	113,490	(8,807)	104,683
Gates Foundation – Advocacy	2,148,287	9,610	(1,026,599)	1,131,298
Together Project	22,696	113,062	(122,201)	13,557
Wallace Global	27,324	-	(27,324)	-
Wellspring Phase II	91,929	-	(91,929)	-
Wellspring Phase II	-	150,010	(64,248)	85,762
Rockefeller – disinformation	46,055	-	(46,055)	-
Foundation to Promote Open Society – The Project	164,601	-	(164,601)	-
HIAS	239	-	-	239
Risk Phase II	5,000	12,910	-	17,910
	<u>\$ 2,802,496</u>	<u>\$ 607,911</u>	<u>\$ (1,952,808)</u>	<u>\$ 1,457,599</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 statements of financial position.

As part of the lease, there is a letter of credit in the benefit of the landlord in the amount of \$69,834 as of December 31, 2019.

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NOTE 9 COMMITMENTS (CONTINUED)

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

Year Ending December 31,	Amount
2020	\$ 865,698
2021	887,341
2022	909,524
2023	932,262
2024	955,569
Thereafter	2,583,678
Total	\$ 7,134,072

Occupancy expense for the years ended December 31, 2019 and 2018, totaled \$746,206 and \$770,918, respectively.

Hotel contracts: InterAction has entered into contracts for hotel rooms and use of facilities relating to its 2020 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. As of December 31, 2019, InterAction’s potential liability or amount due for deposits associated with hotels is \$99,851.

Conditional Grants to Field Partners: InterAction provided cost reimbursable grants to field partners, which are conditioned upon certain performance requirements, the incurrence of allowable expenses, and approval by InterAction. As of December 31, 2019, InterAction had \$526,443 in outstanding conditional grants to field partners, with advance payments of \$261,620 recognized in the statements of financial position. Grant expense will be recognized as the conditions are substantially met.

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 2019. 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.

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NOTE 11 RETIREMENT PLANS

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 \$185,235 and \$197,456 for the years ended December 31, 2019 and 2018, 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 the years ended December 31, 2019 and 2018.