

FINANCIAL REPORT

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

FOR THE YEAR ENDED DECEMBER 31, 2021

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

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Interaction: The American Council for Voluntary International Action, Inc. (InterAction), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterAction as of December 31, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of InterAction and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about InterAction's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of InterAction's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about InterAction's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2023, 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.



July 12, 2023

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

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

ASSETS

Cash and cash equivalents	\$ 1,353,927
Investments	3,491,942
Accounts receivable	81,530
Grants receivable	1,141,732
Prepaid expenses	128,532
Fixed assets, net	740,085
Deposits	<u>75,519</u>
TOTAL ASSETS	\$ <u>7,013,267</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 87,448
Refundable advances	804,516
Deferred income/revenue	77,375
Accrued salaries and related benefits	184,305
Deferred rent and tenant allowance	<u>1,310,374</u>
Total liabilities	<u>2,464,018</u>

NET ASSETS

Without donor restrictions	3,846,220
With donor restrictions	<u>703,029</u>
Total net assets	<u>4,549,249</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>7,013,267</u>

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

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government grants	\$ 2,753,356	\$ -	\$ 2,753,356
Foundation and other grants	2,541,054	1,034,751	3,575,805
Membership	2,623,425	-	2,623,425
Online job board	45,261	-	45,261
Forum, meetings and workshops	129,687	-	129,687
Interest and dividends	54,275	-	54,275
Other contributions	47,146	-	47,146
Rental income	51,000	-	51,000
Other revenue	151,910	-	151,910
Net assets released from donor restrictions	<u>1,584,456</u>	<u>(1,584,456)</u>	<u>-</u>
Total support and revenue	<u>9,981,570</u>	<u>(549,705)</u>	<u>9,431,865</u>
EXPENSES			
Program Services:			
Member Services	442,649	-	442,649
Federal and Non-Federal Awards	6,598,854	-	6,598,854
Legislative Activities	<u>25,064</u>	<u>-</u>	<u>25,064</u>
Total program services	<u>7,066,567</u>	<u>-</u>	<u>7,066,567</u>
Supporting Services:			
General and Administrative	<u>2,470,591</u>	<u>-</u>	<u>2,470,591</u>
Total expenses	<u>9,537,158</u>	<u>-</u>	<u>9,537,158</u>
Change in net assets before other items	444,412	(549,705)	(105,293)
OTHER ITEMS			
Unrealized and realized gain on investments, net of investment fees	323,266	-	323,266
Forgiveness of debt	<u>945,892</u>	<u>-</u>	<u>945,892</u>
Change in net assets	1,713,570	(549,705)	1,163,865
Net assets at beginning of year	<u>2,132,650</u>	<u>1,252,734</u>	<u>3,385,384</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,846,220</u>	<u>\$ 703,029</u>	<u>\$ 4,549,249</u>

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services			Supporting Services		Total Expenses
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total Program Services	General and Administrative	
Salaries	\$ 307,370	\$ 3,875,738	\$ 15,653	\$ 4,198,761	\$ 974,518	\$ 5,173,279
Fringe benefits	55,452	1,015,516	4,372	1,075,340	97,664	1,173,004
Consulting and professional fees	24,777	815,389	-	840,166	135,294	975,460
Temporary help	-	19,450	-	19,450	4,899	24,349
Computer technical support	318	3,780	-	4,098	80,515	84,613
Telephone	1,025	19,127	55	20,207	2,919	23,126
Office supplies	1,035	9,990	-	11,025	(3,908)	7,117
Postage	25	553	-	578	1,240	1,818
Printing and copying	-	10,168	-	10,168	1,799	11,967
Subscriptions and publications	10,201	35,116	4,984	50,301	5,862	56,163
Travel, hotel and meals	1,871	16,925	-	18,796	15,642	34,438
Meetings and conferences	36,324	9,077	-	45,401	21,655	67,056
Legal and audit fees	2,613	11,576	-	14,189	111,806	125,995
Bank charges	-	-	-	-	11,358	11,358
Other	-	100	-	100	3,763	3,863
Occupancy	38	57,383	-	57,421	669,909	727,330
Depreciation and amortization	-	-	-	-	177,750	177,750
Computer hardware and software	-	25,387	-	25,387	488	25,875
Repairs, maintenance and equipment rental	1,025	7,465	-	8,490	84,543	93,033
Education and training	575	2,513	-	3,088	5,880	8,968
Office board insurance	-	-	-	-	66,995	66,995
Sub-grants	-	663,601	-	663,601	-	663,601
TOTAL	\$ 442,649	\$ 6,598,854	\$ 25,064	\$ 7,066,567	\$ 2,470,591	\$ 9,537,158

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,163,865
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation and amortization	177,750
Unrealized gain	(198,226)
Realized gain	(144,096)
Forgiveness of debt	(945,892)
Donated securities received	(25,195)
Proceeds from sale of donated securities	25,361
(Increase) decrease in:	
Accounts receivable	(77,280)
Grants receivable	55,856
Refundable advances to field partners	252,400
Prepaid expenses	(47,706)
Deposits	(102)
(Decrease) increase in:	
Accounts payable and accrued liabilities	(17,962)
Refundable advances	466,599
Deferred income/revenue	(594,025)
Accrued salaries and related benefits	(137,911)
Deferred rent and tenant allowance	<u>(148,835)</u>
Net cash used by operating activities	<u>(195,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(29,694)
Purchase of investments	(870,470)
Proceeds from sale of investments	<u>859,680</u>
Net cash used by investing activities	<u>(40,484)</u>
Net decrease in cash and cash equivalents	(235,883)
Cash and cash equivalents at beginning of year	<u>1,589,810</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,353,927</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Contributions restricted by donors are reported 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) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Cash and cash equivalents -

InterAction considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$949,130 as of December 31, 2021. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, InterAction maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest and dividends are presented separately from realized and unrealized gains and losses, net of investment expenses, in the accompanying Statement of Activities and Change in Net Assets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Accounts and grants receivable -

Accounts and grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable within one year of the date of the Statement of Financial Position. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2021 totaled \$177,750.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

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 -

For the year ended December 31, 2021, InterAction has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Support and revenue -

Contributions and grants -

InterAction receives contributions, including unconditional promises to give, from many sources as well as grants from the U.S. Government, and various other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. InterAction performs an analysis of the individual contributions and grants to determine if the revenue streams follow the contribution rules or if they should be recorded as exchange transactions depending upon whether the transactions are deemed nonreciprocal or reciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Support and revenue (continued) -

Contributions and grants (continued) -

Contributions and grants qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and recognized as contributions when the revenue becomes unconditional.

Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as conditional contributions, InterAction had approximately \$7,180,000 in unrecognized conditional awards as of December 31, 2021.

Membership dues -

Membership dues are considered to be exchange transactions and revenue recognition follows ASU 2014-19, *Revenue from Contracts with Customers*, and revenue is recognized when performance obligations are met. Membership dues are billed to members annually. The dues are recognized as revenue over the membership period, which is on a calendar year basis. Membership dues provide economic as well as other benefits to members and all distinct performance obligations are recognized over the same period of time. Membership dues paid in advance of the calendar year to which they apply are recorded as deferred revenue. InterAction has elected to opt out of all disclosures not required for nonpublic entities. As of December 31, 2021 and 2020, membership dues receivable were \$74,925 and \$900, respectively, and deferred membership dues were \$5,125 and \$671,400, respectively.

Online job board, forum, meetings and workshops -

Fees for InterAction's online job board, forums, meetings and workshops are accounted for as exchange transactions. Revenue is recognized when the related performance obligations are met. Transaction price is based on sales price. InterAction has elected to opt out of all disclosures not required for nonpublic entities. As of December 31, 2021, there were no receivables associated with these items, the related deferred balance was \$72,250. There were not accounts receivable or deferred revenue associated with these items as of December 31, 2020.

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 of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of InterAction are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

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 Measurement*. 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.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 which delayed the implementation date by one year. The ASU is effective for non-public entities for fiscal years beginning after December 15, 2021. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

New accounting pronouncements not yet adopted (continued) -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for InterAction for the year ending December 31, 2023 but early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

InterAction plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards on its accompanying financial statements.

2. **INVESTMENTS**

Investments consisted of the following as of December 31, 2021:

	<u>Fair Value</u>
Money market funds	\$ 949,130
Certificates of deposit	181,981
Mutual funds	<u>2,360,831</u>
TOTAL INVESTMENTS	<u>\$ 3,491,942</u>

Included in unrealized and realized gain on investments, net of investment fees are the following:

Unrealized gain	\$ 198,226
Realized gain	144,096
Investment expenses	<u>(19,056)</u>
TOTAL UNREALIZED AND REALIZED GAIN ON INVESTMENTS, NET OF INVESTMENT FEES	<u>\$ 323,266</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, InterAction has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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). 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 Statement 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 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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. INVESTMENTS (Continued)

Level 3. These are investments where 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 and there were no transfers between levels in the fair value hierarchy during the year ended December 31, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Certificates of Deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by InterAction are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by InterAction are deemed to be actively traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money market funds	\$ 949,130	\$ -	\$ -	\$ 949,130
Certificates of deposit	-	181,981	-	181,981
Mutual funds	<u>2,360,831</u>	<u>-</u>	<u>-</u>	<u>2,360,831</u>
TOTAL	<u>\$ 3,309,961</u>	<u>\$ 181,981</u>	<u>\$ -</u>	<u>\$ 3,491,942</u>

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2021:

Furniture	\$ 209,696
Computer equipment	394,850
Leasehold improvements	<u>1,756,020</u>
Total fixed assets	2,360,566
Less: Accumulated depreciation and amortization	<u>(1,620,481)</u>
NET FIXED ASSETS	<u>\$ 740,085</u>

4. PAYROLL PROTECTION PROGRAM LOAN

During 2020, InterAction received loan proceeds in the amount of \$945,892 under the Paycheck Protection Program. The promissory note had an interest rate of 1% and called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. PAYROLL PROTECTION PROGRAM LOAN (Continued)

InterAction used the proceeds for loan proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness of the loan after completing the 24-week spending period stipulated by the terms of the loan.

On May 29, 2021, InterAction received full forgiveness of the loan from the Small Business Administration (SBA). Accordingly, InterAction has recorded revenue from forgiveness of debt in the amount of \$945,892.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specified purpose:	
UPS Diversity	\$ 10,000
Gates - Advocacy in Transition	865
Together Project	31,610
MacPhil	321,552
Packard	252,943
Wallace Wash	81,855
DEI	<u>4,204</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 703,029</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Basic Education Coalition	\$ 273,151
UPS	2,068
UPS Diversity	241,461
Alliance for International Youth Development	52,079
Global Public Policy Institute	6,868
Wallace Genetic - Wash	11,089
Connect USA - Partner Vetting System	551
Water Aid America	2,538
Cost Recovery Project	1,600
DRG Initiative	103,907
Gates - Advocacy in Transition	194,407
Together Project	113,355
HIAS	239
MacPhil	509,195
Packard	47,057
Wallace Wash	18,145
DEI	796
Risk Phase II	<u>5,950</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,584,456</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 1,353,927
Investments	3,491,942
Accounts receivable	81,530
Grants receivable	<u>1,141,732</u>
Subtotal financial assets available within one year	6,069,131
Less: Donor restricted funds	<u>(703,029)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 5,366,102</u>

InterAction has a policy to structure its financial assets to be available and liquid as its obligations become due.

7. LEASE COMMITMENTS

InterAction leases office space in Washington, D.C. under a lease agreement, which commenced December 1, 2016 and expires July 31, 2027. Initial base rent was \$803,887 per year, increasing by a factor of 2.5% per year. InterAction is also responsible for payment its proportionate share of operating expenses and real estate taxes.

The landlord provided InterAction with one month of rent abatement at the commencement of the lease and also provided a tenant improvement allowance in the amount of \$1,335,015, which is being amortized on a straight-line basis over the life of the lease.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2022	\$ 909,524
2023	932,263
2024	955,569
2025	979,458
2026	1,003,945
Thereafter	<u>600,275</u>
	<u>\$ 5,381,034</u>

Rent expense for the year ended December 31, 2021 was \$727,330. The deferred rent and tenant allowance liability was \$1,310,374.

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DECEMBER 31, 2021**

7. LEASE COMMITMENTS (Continued)

During 2021, InterAction subleased a portion of its office space under a lease agreement which commenced March 1, 2021 and extended through December 31, 2021. The terms of the lease continued on a month-to-month basis after December 31, 2021.

Rental income for the year ended December 31, 2021 was \$51,000.

8. RETIREMENT PLAN

InterAction provides retirement benefits to its employees through a defined contribution plan covering all full-time employees who meet certain age and employment requirements. InterAction contributes a percentage of each eligible employee's annual compensation. Contributions to the Plan during the year ended December 31, 2021 totaled \$255,281.

9. CONTINGENCY

InterAction receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2021. Until such audits have been accepted by the United States 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.

Various lawsuits and other contingent liabilities arise in the ordinary course of InterAction's activities. While the final outcome of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on InterAction's financial statements.

10. SUBSEQUENT EVENTS

In preparing these financial statements, InterAction has evaluated events and transactions for potential recognition or disclosure through July 12, 2023, the date the financial statements were issued.