

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 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, 2022, 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, 2022, 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.

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

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. 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.

Report on Summarized Comparative Information

We have previously audited InterAction's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 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.



December 14, 2023

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

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 859,252	\$ 1,353,927
Investments	2,394,148	3,491,942
Accounts receivable	117,980	81,530
Grants receivable	718,332	1,141,732
Prepaid expenses	34,801	128,532
Fixed assets, net	338,919	740,085
Deposits	75,519	75,519
Right-of-use asset, net	<u>3,692,902</u>	<u>-</u>
TOTAL ASSETS	\$ <u>8,231,853</u>	\$ <u>7,013,267</u>

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts payable and accrued liabilities	\$ 288,369	\$ 87,448
Refundable advances	850,009	804,516
Deferred revenue	40,074	77,375
Accrued salaries and related benefits	235,858	184,305
Operating lease liability	4,312,959	-
Deferred rent and tenant allowance	<u>-</u>	<u>1,310,374</u>
Total liabilities	<u>5,727,269</u>	<u>2,464,018</u>

NET ASSETS

Without donor restrictions	2,346,762	3,846,220
With donor restrictions	<u>157,822</u>	<u>703,029</u>
Total net assets	<u>2,504,584</u>	<u>4,549,249</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>8,231,853</u>	\$ <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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Government grants	\$ 2,642,066	\$ -	\$ 2,642,066	\$ 2,753,356
Foundation and other grants	1,900,336	473,462	2,373,798	3,575,805
Membership	2,834,163	-	2,834,163	2,623,425
Online job board	38,777	-	38,777	45,261
Forum, meetings and workshops	220,566	-	220,566	129,687
Interest and dividends	42,647	-	42,647	54,275
Other contributions	26,060	-	26,060	47,146
Rental income	132,000	-	132,000	51,000
Other revenue	(3,166)	-	(3,166)	151,910
Net assets released from donor restrictions	<u>1,018,669</u>	<u>(1,018,669)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,852,118</u>	<u>(545,207)</u>	<u>8,306,911</u>	<u>9,431,865</u>
EXPENSES				
Program Services:				
Member Services	1,145,220	-	1,145,220	442,649
Federal and Non-Federal Awards	6,375,015	-	6,375,015	6,598,854
Legislative Activities	<u>16,454</u>	<u>-</u>	<u>16,454</u>	<u>25,064</u>
Total program services	<u>7,536,689</u>	<u>-</u>	<u>7,536,689</u>	<u>7,066,567</u>
Supporting Services:				
General and Administrative	<u>2,322,015</u>	<u>-</u>	<u>2,322,015</u>	<u>2,470,591</u>
Total expenses	<u>9,858,704</u>	<u>-</u>	<u>9,858,704</u>	<u>9,537,158</u>
Change in net assets before other items	(1,006,586)	(545,207)	(1,551,793)	(105,293)
OTHER ITEMS				
Unrealized and realized (loss) gain on investments, net of investment fees	(492,872)	-	(492,872)	323,266
Forgiveness of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>945,892</u>
Change in net assets	(1,499,458)	(545,207)	(2,044,665)	1,163,865
Net assets at beginning of year	<u>3,846,220</u>	<u>703,029</u>	<u>4,549,249</u>	<u>3,385,384</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,346,762</u>	<u>\$ 157,822</u>	<u>\$ 2,504,584</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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION OR 2021

	2022				2021		
	Program Services			Supporting Services			
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries	\$ 667,120	\$ 3,783,126	\$ 12,357	\$ 4,462,603	\$ 687,485	\$ 5,150,088	\$ 5,173,279
Fringe benefits	132,415	960,209	1,673	1,094,297	346,928	1,441,225	1,173,004
Consulting and professional fees	19,352	506,704	-	526,056	184,700	710,756	975,460
Temporary help	-	17,886	-	17,886	266,409	284,295	24,349
Computer technical support	-	3,531	-	3,531	189,699	193,230	84,613
Telephone	2,243	12,735	23	15,001	3,127	18,128	23,126
Office supplies	3,388	13,787	17	17,192	1,569	18,761	7,117
Postage	-	543	-	543	367	910	1,818
Printing and copying	1,134	4,313	-	5,447	1,436	6,883	11,967
Subscriptions and publications	28,241	43,958	-	72,199	78,637	150,836	56,163
Travel, hotel and meals	99,947	213,584	-	313,531	31,775	345,306	34,438
Meetings and conferences	62,219	33,854	-	96,073	12,135	108,208	67,056
Legal and audit fees	-	5,041	-	5,041	165,685	170,726	125,995
Bank charges	-	-	-	-	10,980	10,980	11,358
Other	464	2,697	-	3,161	130,172	133,333	3,863
Lease expense	113,153	641,673	2,096	756,922	116,607	873,529	727,330
Depreciation and amortization	8,510	48,257	157	56,924	8,770	65,694	177,750
Computer hardware and software	5,489	31,124	102	36,715	5,656	42,371	25,875
Repairs, maintenance and equipment rental	1,545	8,769	29	10,343	6,668	17,011	93,033
Education and training	-	-	-	-	-	-	8,968
Office board insurance	-	1,060	-	1,060	73,210	74,270	66,995
Sub-grants	-	42,164	-	42,164	-	42,164	663,601
TOTAL	\$ 1,145,220	\$ 6,375,015	\$ 16,454	\$ 7,536,689	\$ 2,322,015	\$ 9,858,704	\$ 9,537,158

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (2,044,665)	\$ 1,163,865
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	65,694	177,750
Unrealized loss (gain)	521,810	(198,226)
Realized gain	(46,512)	(144,096)
Forgiveness of debt	-	(945,892)
Amortization of right-of-use asset	773,987	-
Donated securities received	-	(25,195)
Proceeds from sale of donated securities	-	25,361
(Increase) decrease in:		
Accounts receivable	(36,450)	(77,280)
Grants receivable	423,400	55,856
Refundable advances to field partners	-	252,400
Prepaid expenses	93,731	(47,706)
Deposits	-	(102)
Increase (decrease) in:		
Accounts payable and accrued liabilities	200,921	(17,962)
Refundable advances	45,493	466,599
Deferred revenue	(37,301)	(594,025)
Accrued salaries and related benefits	51,553	(137,911)
Deferred rent and tenant allowance	-	(148,835)
Lease liability	<u>(843,195)</u>	<u>-</u>
Net cash used by operating activities	<u>(831,534)</u>	<u>(195,399)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(285,637)	(29,694)
Purchase of investments	(522,591)	(870,470)
Proceeds from sale of investments	<u>1,145,087</u>	<u>859,680</u>
Net cash provided (used) by investing activities	<u>336,859</u>	<u>(40,484)</u>
Net decrease in cash and cash equivalents	(494,675)	(235,883)
Cash and cash equivalents at beginning of year	<u>1,353,927</u>	<u>1,589,810</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 859,252</u>	<u>\$ 1,353,927</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Asset	<u>\$ 4,466,889</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 5,156,154</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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** - 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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class; such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with InterAction's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2022, InterAction adopted ASU 2019-01, *Leases* (Topic 842), which changed 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. The Association applied the new standard using the modified retrospective approach and adopted the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 6 for further details.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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 \$527,968 as of December 31, 2022. 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.

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, 2022 totaled \$65,694.

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, 2022, 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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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.

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 \$2,730,000 in unrecognized conditional awards as of December 31, 2022.

Membership dues -

Membership dues are considered to be exchange transactions and revenue recognition follows ASU 2014-19, *Revenue from Contracts with Customers*. Accordingly, 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, 2022 and 2021, membership dues receivable were \$115,800 and \$74,925, respectively, and deferred membership dues were \$10,100 and \$5,125, respectively.

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Support and revenue (continued) -

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, 2022, there were no receivables associated with these items, the related deferred balance was \$29,974. As of December 31, 2021, there were no receivables associated with these items, the related deferred balance was \$72,250.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

New accounting pronouncement (not yet adopted) -

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. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. **INVESTMENTS**

Investments consisted of the following as of December 31, 2022:

	<u>Fair Value</u>
Money Market Funds	\$ 527,968
Mutual Funds	<u>1,866,180</u>
TOTAL INVESTMENTS	<u>\$ 2,394,148</u>

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

Unrealized loss	\$ (521,810)
Realized gain	46,512
Investment expenses	<u>(17,574)</u>
TOTAL UNREALIZED AND REALIZED LOSS ON INVESTMENTS, NET OF INVESTMENT FEES	<u>\$ (492,872)</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.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. INVESTMENTS (Continued)

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, 2022. 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.
- *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, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 527,968	\$ -	\$ -	\$ 527,968
Mutual Funds	<u>1,866,180</u>	<u>-</u>	<u>-</u>	<u>1,866,180</u>
TOTAL	<u>\$ 2,394,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,394,148</u>

3. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2022:

Furniture	\$ 209,696
Computer equipment	680,487
Leasehold improvements	<u>578,693</u>
Total fixed assets	1,468,876
Less: Accumulated depreciation and amortization	<u>(1,129,957)</u>
NET FIXED ASSETS	<u>\$ 338,919</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022:

Subject to expenditure for specified purpose:	
DRG Initiative	\$ 8,685
Gates - Advocacy in Transition	865
Together Project	48,699
MacPhil	20,488
Packard	38,393
Wallace Wash	27,539
DEI	<u>13,153</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 157,822</u>

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

4. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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	\$ 248,962
UPS Diversity	10,000
DRG Initiative	47,315
Together Project	101,411
MacPhil	301,064
Packard	214,550
Wallace Wash	54,316
DEI	<u>41,051</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 1,018,669</u>

5. 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	\$ 859,252
Investments	2,394,148
Accounts receivable	117,980
Grants receivable	<u>718,332</u>
Subtotal financial assets available within one year	4,089,712
Less: Donor restricted funds	<u>(157,822)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 3,931,890</u>

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

6. 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 proved a tenant improvement allowance in the amount of \$1,335,015.

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.

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NOTES TO FINANCIAL STATEMENTS
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6. LEASE COMMITMENTS (Continued)

InterAction elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. InterAction adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, InterAction recorded a right-of-use asset in the amount of \$4,466,889. InterAction recorded an operating lease liability in the amount of \$5,156,154 by calculating the present value using the discount rate of 1.53%.

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

<u>Year Ending December 31,</u>	
2023	\$ 932,263
2024	955,569
2025	979,458
2026	1,003,945
2027	<u>600,275</u>
	4,471,510
Less: Discount to present value	<u>(158,551)</u>
	4,312,959
Less: Current portion	<u>(872,414)</u>
LONG-TERM PORTION	<u>\$ 3,440,545</u>

Lease expense for the year ended December 31, 2022 was \$873,529.

During 2021, InterAction subleased a portion of its office space under a lease agreement which commenced October 1, 2021 and extended through September 30, 2022. The terms of the lease continued on a month-to-month basis after September 30, 2022.

During 2022, InterAction subleased another portion of its office space under a lease agreement which commenced January 1, 2022 and extended through December 31, 2022. The terms of the lease continued on a month-to-month basis after December 31, 2022.

Rental income for the year ended December 31, 2022 was \$132,000.

7. 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, 2022 totaled \$258,866.

8. 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)*.

**NOTES TO FINANCIAL STATEMENTS
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8. CONTINGENCY (Continued)

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 2022. 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.

9. SUBSEQUENT EVENTS

In preparing these financial statements, InterAction has evaluated events and transactions for potential recognition or disclosure through December 14, 2023, the date the financial statements were issued.