

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

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2023

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FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

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

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on page I-19, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024, 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 25, 2024

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

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 950,388	\$ 859,252
Investments	2,803,482	2,394,148
Accounts receivable	24,700	115,800
Grants receivable	517,769	718,332
Prepaid expenses	32,818	36,981
Fixed assets, net	266,458	338,919
Deposits	75,519	75,519
Right-of-use asset, net	<u>2,912,433</u>	<u>3,692,902</u>
TOTAL ASSETS	\$ <u>7,583,567</u>	\$ <u>8,231,853</u>

LIABILITIES AND NET ASSETS**LIABILITIES**

Accounts payable and accrued liabilities	\$ 286,788	\$ 288,369
Refundable advances	1,208,805	850,009
Deferred revenue	73,375	40,074
Accrued salaries and related benefits	153,342	235,858
Operating lease liability	<u>3,440,545</u>	<u>4,312,959</u>
Total liabilities	<u>5,162,855</u>	<u>5,727,269</u>

NET ASSETS

Without donor restrictions	2,344,301	2,346,762
With donor restrictions	<u>76,411</u>	<u>157,822</u>
Total net assets	<u>2,420,712</u>	<u>2,504,584</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>7,583,567</u>	\$ <u>8,231,853</u>

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

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Government grants	\$ 3,653,621	\$ -	\$ 3,653,621	\$ 2,642,066
Foundation and other grants	2,276,921	632,825	2,909,746	2,373,798
Membership	2,880,128	-	2,880,128	2,834,163
Online job board	35,496	-	35,496	38,777
Forum, meetings and workshops	233,538	-	233,538	220,566
Other contributions	11,502	-	11,502	26,060
Rental income	136,000	-	136,000	132,000
Other loss	(3,810)	-	(3,810)	(3,166)
Net assets released from donor restrictions	<u>714,236</u>	<u>(714,236)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>9,937,632</u>	<u>(81,411)</u>	<u>9,856,221</u>	<u>8,264,264</u>
EXPENSES				
Program Services:				
Member Services	1,300,558	-	1,300,558	1,145,220
Federal and Non-Federal Awards	6,774,131	-	6,774,131	6,375,015
Legislative Activities	<u>34,397</u>	<u>-</u>	<u>34,397</u>	<u>16,454</u>
Total program services	<u>8,109,086</u>	<u>-</u>	<u>8,109,086</u>	<u>7,536,689</u>
Supporting Services:				
General and Administrative	<u>2,267,186</u>	<u>-</u>	<u>2,267,186</u>	<u>2,322,015</u>
Total expenses	<u>10,376,272</u>	<u>-</u>	<u>10,376,272</u>	<u>9,858,704</u>
Change in net assets before other item	(438,640)	(81,411)	(520,051)	(1,594,440)
OTHER ITEM				
Net investment return	<u>436,179</u>	<u>-</u>	<u>436,179</u>	<u>(450,225)</u>
Change in net assets	(2,461)	(81,411)	(83,872)	(2,044,665)
Net assets at beginning of year	<u>2,346,762</u>	<u>157,822</u>	<u>2,504,584</u>	<u>4,549,249</u>
NET ASSETS AT END OF YEAR	\$ <u>2,344,301</u>	\$ <u>76,411</u>	\$ <u>2,420,712</u>	\$ <u>2,504,584</u>

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	2023				2022	
	Program Services			Supporting Services		
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total Program Services	General and Administrative	Total Expenses
Salaries	\$ 716,486	\$ 3,353,003	\$ 24,314	\$ 4,093,803	\$ 1,103,633	\$ 5,197,436
Fringe benefits	173,973	808,461	5,920	988,354	293,743	1,282,097
Consulting and professional fees	77,252	1,426,537	4,163	1,507,952	36,576	1,544,528
Temporary help	-	-	-	-	364,110	364,110
Computer technical support	-	-	-	-	-	-
Telephone	407	3,421	-	3,828	15,205	19,033
Office supplies	4,111	334	-	4,445	13,773	18,218
Postage	-	-	-	-	570	570
Printing and copying	2,689	1,123	-	3,812	380	4,192
Subscriptions and publications	21,881	54,322	-	76,203	11,637	87,840
Travel, hotel and meals	8,256	265,148	-	273,404	11,882	285,286
Meetings and conferences	144,205	95,661	-	239,866	6,184	246,050
Legal and audit fees	-	16,733	-	16,733	203,492	220,225
Bank charges	2,526	186	-	2,712	3,492.00	6,204
Other	2,967	8,626	-	11,593	16,764	28,357
Occupancy	127,459	666,610	-	794,069	109,274	903,343
Depreciation and amortization	12,861	56,948	-	69,809	5,381	75,190
Computer hardware and software	792	746	-	1,538	826	2,364
Repairs, maintenance and equipment rental	3,150	13,950	-	17,100	2,701	19,801
Education and training	1,543	2,322	-	3,865	1,692	5,557
Office board insurance	-	-	-	-	65,871	65,871
Sub-grants	-	-	-	-	-	-
TOTAL	\$ 1,300,558	\$ 6,774,131	\$ 34,397	\$ 8,109,086	\$ 2,267,186	\$ 10,376,272
						\$ 9,858,704

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, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (83,872)	\$ (2,044,665)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	75,190	65,694
Unrealized (gain) loss	(324,590)	521,810
Realized gain	(65,231)	(46,512)
Amortization of right-of-use asset	780,469	773,987
Decrease (increase) in:		
Accounts receivable	91,100	(36,450)
Grants receivable	200,563	423,400
Prepaid expenses	4,163	93,731
(Decrease) increase in:		
Accounts payable and accrued liabilities	(1,581)	200,921
Refundable advances	358,796	45,493
Deferred revenue	33,301	(37,301)
Accrued salaries and related benefits	(82,516)	51,553
Lease liability	<u>(872,414)</u>	<u>(843,195)</u>
Net cash provided (used) by operating activities	<u>113,378</u>	<u>(831,534)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,729)	(285,637)
Purchase of investments	(330,667)	(522,591)
Proceeds from sale of investments	<u>311,154</u>	<u>1,145,087</u>
Net cash (used) provided by investing activities	<u>(22,242)</u>	<u>336,859</u>
Net increase (decrease) in cash and cash equivalents	91,136	(494,675)
Cash and cash equivalents at beginning of year	<u>859,252</u>	<u>1,353,927</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 950,388</u>	<u>\$ 859,252</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Asset	<u>\$ -</u>	<u>\$ 4,466,889</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ -</u>	<u>\$ 5,156,154</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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". Net assets set aside 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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, 2022, from which the summarized information was derived.

New accounting pronouncement adopted -

Accounting Standards Update (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. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by InterAction that are subject to the guidance in FASB ASC 326 are trade accounts receivable. InterAction implemented the ASU on January 1, 2023, using a modified retrospective approach. The impact of the adoption was not considered material to the financial statements and primarily resulted only in updated disclosures.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Cash and cash equivalents -

InterAction considers all highly liquid investments with maturities of three months or less, which are not part of the investment portfolio, to be cash and cash equivalents. Money market funds held by investment managers totaled \$311,445 as of December 31, 2023. 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, dividends, realized and unrealized gains and losses are included in investment return, which is presented net of investment expenses paid to external investment advisors, in the accompanying Statement of Activities and Change in Net Assets.

Investments acquired by gift, such as donated securities, are recorded at their fair value at the date of the gift. InterAction's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts receivable -

Accounts receivable primarily consists of amounts due within one year related to membership. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. As of December 31, 2023, there was no allowance for credit loss.

Grants receivable -

Grants receivable include unconditional promises to give that are expected to be collected within one year. Grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows.

Fixed assets -

Fixed assets in excess of \$5,000 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 lesser of the useful life of the asset or the remaining life term 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, 2023 totaled \$75,190.

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.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Income taxes -

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

Support from grants and contributions, including federal awards -

InterAction receives grants and contributions, including federal awards from the U.S. Government. Contributions are recognized in the appropriate category of net assets in the period received. InterAction performs an analysis of the individual contribution agreements to determine if the funding streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transaction is deemed nonreciprocal or reciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support 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, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. These contributions are recognized when conditions have been satisfied. Most federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. InterAction's refundable advances totaled \$1,208,805 as of December 31, 2023.

In addition, InterAction has obtained funding source agreements related to conditional contributions, such as federal awards from the U.S. Government, which will be received in future years. InterAction's unrecognized conditional contributions to be received in future years totaled approximately \$1,675,800 as of December 31, 2023.

Revenue from contracts with customers -

InterAction's membership, online job board, forum, meetings and workshops are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. InterAction has elected to opt out of all disclosures not required for nonpublic entities. Transaction price is based on sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. InterAction's contracts with customers generally have initial terms of one year or less.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Support from grants and contributions, including Federal awards (continued) -

Membership dues -

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.

Online job board, forum, meetings and workshops -

Fees for InterAction's online job board, forums, meetings and workshops are recognized as revenue when the related performance obligations are met. Transaction price is based on sales price.

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 InterAction's programs and supporting services 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 are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as salaries, were allocated based on estimated time and effort.

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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

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, 2023. 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.
- *U.S. Government Securities* - Valued at the closing price reported in the active market in which the individual securities are 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.
- *Corporate Bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of December 31, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 311,445	\$ -	\$ -	\$ 311,445
U.S. Government Securities	119,471	-	-	119,471
Mutual Funds	2,225,960	-	-	2,225,960
Corporate Bonds	<u>-</u>	<u>146,606</u>	<u>-</u>	<u>146,606</u>
TOTAL INVESTMENTS	<u>\$ 2,656,876</u>	<u>\$ 146,606</u>	<u>\$ -</u>	<u>\$ 2,803,482</u>

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Net investment return consisted of the following for the year ended December 31, 2023:

Interest and dividends	\$ 63,925
Unrealized gain	324,590
Realized gain	65,231
Investment expenses	<u>(17,567)</u>
NET INVESTMENT RETURN	<u>\$ 436,179</u>

3. CONTRACT ASSETS AND CONTRACT LIABILITIES

Accounts receivable consisted of the following revenue streams as of:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Membership	<u>\$ 24,700</u>	<u>\$ 115,800</u>

Deferred revenue consisted of the following revenue streams as of:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Membership	\$ 65,197	\$ 10,100
Forum, meetings and workshops	<u>8,178</u>	<u>29,974</u>
TOTAL DEFERRED REVENUE	<u>\$ 73,375</u>	<u>\$ 40,074</u>

4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2023:

Furniture	\$ 209,696
Computer equipment	683,216
Leasehold improvements	<u>578,694</u>
Total fixed assets	1,471,606
Less: Accumulated depreciation and amortization	<u>(1,205,148)</u>
NET FIXED ASSETS	<u>\$ 266,458</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

Subject to expenditure for specified purpose:	
DRG Initiative	\$ 4,519
Together Project	41,547
Wallace Wash	29,113
DEI	<u>1,232</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 76,411</u>

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

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Basic Education Coalition	\$ 311,328
DRG Initiative	72,166
Gates - Advocacy in Transition	864
Together Project	210,653
MacPhil	20,488
Packard	38,393
Wallace Wash	48,426
DEI	<u>11,921</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 714,236</u>

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	\$ 950,388
Investments	2,803,482
Accounts receivable	24,700
Grants receivable	<u>517,769</u>
Subtotal financial assets available within one year	4,296,339
Less: Donor restricted funds	<u>(76,411)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 4,219,928</u>

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

7. LEASE COMMITMENTS

InterAction follows FASB ASC 842 for leases. InterAction has 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 has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

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. The lease escalations and the leasehold improvement allowance are being amortized on a basis to achieve straight-line rent expense over the life of the lease. Upon adoption of FASB ASC 842 on January 1, 2022, InterAction recorded a right-of-use asset in the amount of \$4,466,889 and a corresponding operating lease liability in the amount of \$5,156,154 by calculating the present value using a discount rate of 1.53%.

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

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

7. LEASE COMMITMENTS (Continued)

For the year ended December 31, 2023, total lease cost was \$840,317 and is included in occupancy costs in the accompanying Statement of Functional Expenses. Total cash paid was \$932,262 for the operating lease.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of December 31, 2023:

Year Ending December 31,

2024	\$ 955,569
2025	979,458
2026	1,003,945
2027	<u>600,275</u>
	3,539,247
Less: Imputed interest	<u>(98,702)</u>
	3,440,545
Less: Current portion	<u>(909,318)</u>
LONG-TERM PORTION	<u>\$ 2,531,227</u>

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. On September 29, 2023, InterAction entered into a new lease agreement with the same subtenant which commenced October 1, 2023 and expires September 30, 2024. Future minimum rental income under the sublease is \$54,000.

Rental income for the year ended December 31, 2023 was \$136,000.

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, 2023 totaled \$235,446.

9. CONCENTRATION OF REVENUE

Federal awards from the United States Agency for International Development comprise approximately 37% of InterAction's support and revenue for the year ended December 31, 2023. InterAction has no reason to believe that its relationship with the United States Agency for International Development will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect InterAction's ability to finance ongoing operations.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

10. CONTINGENCY

InterAction receives grants from the United States Agency for International Development. 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 federal awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. 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. Audits in accordance with the applicable provisions of Subpart F of the Uniform Guidance have been completed for all required fiscal years through 2023.

InterAction has been named as a defendant in lawsuits based upon activities that occurred in the ordinary course of business. InterAction's policy is to accrue amounts related to litigation when such amounts are probable and can be reasonably estimated based on consultation with outside legal counsel. While legal counsel has indicated that the outcome of these actions is not presently determinable, management believes that any resulting liability will not have a materially adverse impact on the financial position or operations of InterAction.

11. SUBSEQUENT EVENTS

In preparing these financial statements, InterAction has evaluated events and transactions for potential recognition or disclosure through June 25, 2024, the date the financial statements were issued.

On March 29, 2024, InterAction early terminated the office lease agreement. In consideration of the early termination, InterAction paid \$408,395 with the termination notice. An additional \$408,395 payment is due to the existing landlord no later than December 31, 2024.

On April 2024, InterAction entered into a one-hundred forty-four month agreement to lease office space in Washington, D.C. The agreement will begin on January 1, 2025. The base rent is \$748,142 per year, increasing by a factor of 2.5% per year. InterAction is also responsible for payment of its proportionate share of operating expenses and real estate taxes. As part of the agreement, the new landlord will reimburse InterAction the early termination fee incurred on its currently existing lease agreement.

SUPPLEMENTAL INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Federal Granting Agency and Program Title</u>	<u>Award Number</u>	<u>Assistance Listing Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
United States Agency for International Development:					
Supporting, Spearheading, and Magnifying NGO Leadership, Coordination, and Excellence	720BHA21CA00017	98.001	N/A	\$ -	\$ 3,653,621
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ -	\$ 3,653,621

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of InterAction under programs of the federal government for the year ended December 31, 2023. Information in the Schedule is presented in accordance with the requirements 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 Schedule presents only a selected portion of the operations of InterAction; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of InterAction.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. InterAction has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section I - Summary of Auditor's Results**Financial Statements**

- 1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting:

Unmodified

- 2). Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

- 3). Noncompliance material to financial statements noted?

☐ Yes ☒ No**Federal Awards**

- 4). Internal control over major Federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

- 5). Type of auditor's report issued on compliance for major federal programs:

Unmodified

- 6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

- 7). Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
98.001	USAID Foreign Assistance for Programs Overseas

- 8). Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

- 9). Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

Financial Statement Finding 2022-001: Revenue Recognition

Condition: During the course of our audit, we performed extensive testwork over InterAction's application of ASU 2018-08 and the related recognition of contributions and grants within the financial statements. Our review indicated that ASU 2018-08 was not being followed consistently and we detected material misstatements with regards to the recorded amounts of revenue and related receivables and refundable advances.

Recommendation: InterAction should obtain a greater understanding of ASU 2018-08 requirements through review of the standard and related training courses. For each new award, we recommend that management document an analysis that includes a determination of 1. Whether the award is a contribution or exchange transaction; 2. Whether the award is conditional or unconditional (if deemed conditional, management should identify the conditions and define when they will be deemed to have been met); and 3. Whether the awards contain any donor restrictions. An analysis of this nature should be available to support the revenue recognition for all contributions and grants.

Current Year Status: Finding 2022-001 has been cleared during the FY 2023 audit. No further action is required.

Financial Statement Finding 2022-002: General Internal Controls and Financial Management

Condition: During the course of our audit, we observed a number of situations which represent systemic weaknesses in the internal control environment and financial management processes. We noted some schedules and reconciliations were not available at the commencement of the audit fieldwork and/or had some adjustments that needed to be made including investments, grants receivable, prepaid expenses, with donor restrictions net assets, accrued salaries and related benefits, accounts payable and accrued liabilities, refundable advances, right-of-use assets and the related operating lease liability. Due to the above, a significant amount of time was spent by management during the audit process reconciling accounts resulting in an audit delay. The delay resulted in additional audit work performed after the original end date of the initial field work. We believe this information could have resulted in unreliable internal financial information, and also represents a deficiency in internal controls.

Recommendation: We recommend that management of InterAction perform a comprehensive evaluation of its internal control policies and procedures, as well as an assessment of the finance and accounting department, and overhaul its current accounting policies and procedures. In developing a new regime of internal controls, management should place emphasis on timely and accurate financial reporting, transparent documentation of review and approval of transactions, and compliance with applicable donor requirements.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section IV - Prior Year Findings and Questioned Costs With Current Year Status (Continued)

**Financial Statement Finding 2022-002: General Internal Controls and Financial Management
(Continued)**

Current Year Status: Due to the fact there was a significant improvement in the reconciliation of asset and liability accounts compared to prior year, we consider this finding to have been cleared during the FY 2023 audit.

**Financial Statement Finding and Federal Award Finding and Questioned Costs 2022-003: Payroll
Allocations**

Condition: InterAction has a timekeeping system in place that provides for employees to record hours worked to specific cost objectives, including to US Government grants. We reviewed the allocation system during the audit, and noted that it automatically and accurately calculates values to be charged to each project reflective of the time recorded by employees. However we noted that in several cases the allocation amounts as per the timekeeping system were different from the amounts ultimately recorded within InterAction's general ledger. While the differences were not significant, these discrepancies indicate a deficiency in the internal controls around recording of salary expenditures to projects.

Recommendation: We recommend that management revisit its procedures for transferring data from the timekeeping system to the general ledger and implement proper internal controls to ensure that the amounts of salary expenditures charged to grants in the general ledger reconcile to the amounts calculated by the timekeeping system.

Current Year Status: Finding 2022-003 has been cleared during the FY 2023 audit. No further action is required.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the 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, the financial statements of Interaction: The American Council for Voluntary International Action, Inc. (InterAction) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise InterAction's basic financial statements, and have issued our report thereon dated June 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered InterAction's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of InterAction's internal control. Accordingly, we do not express an opinion on the effectiveness of InterAction's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of InterAction's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether InterAction's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 25, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Interaction: The American Council for Voluntary International Action, Inc. (InterAction)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of InterAction's major federal programs for the year ended December 31, 2023. InterAction's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, InterAction complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of InterAction and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of InterAction's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to InterAction's federal programs.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on InterAction's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about InterAction's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 InterAction's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of InterAction's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of InterAction's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 25, 2024