

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

Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors

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

Report on the Financial Statements

We have audited the accompanying financial statements of InterAction: The American Council for Voluntary International Action, Inc. (InterAction), which comprise the statement of financial position as of December 31, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of InterAction: The American Council for Voluntary International Action, Inc. as of December 31, 2020, and the changes 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.

Other Matter

The financial statements of InterAction, as of and for the year ended December 31, 2019, were audited by other auditors whose report, dated September 25, 2020, expressed an unmodified opinion on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, on our consideration of InterAction's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of 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 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.

RSM US LLP

Washington, D.C.
September 14, 2021

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

**Statements of Financial Position
December 31, 2020 and 2019**

	2020	2019
Assets		
Cash and cash equivalents	\$ 1,589,810	\$ 279,768
Investments	3,138,996	2,863,738
U.S. government grants receivable	680,185	1,525,628
Foundation grants receivable, net	21,241	87,131
Refundable advances to field partners, net	252,400	261,620
Other receivables	4,075	2,327
Prepaid expenses	80,826	202,234
Security deposits	75,592	75,479
Property, equipment and leasehold improvements, net	888,141	1,035,632
	\$ 6,731,266	\$ 6,333,557
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 105,410	\$ 44,709
Accrued employee benefits	322,216	163,815
Deferred rent	1,459,209	1,594,401
Deferred revenue	671,400	52,250
Refundable advances	1,406,804	626,823
Total liabilities	3,965,039	2,481,998
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions	1,513,493	1,674,277
With donor restrictions	1,252,734	2,177,282
Total net assets	2,766,227	3,851,559
Total liabilities and net assets	\$ 6,731,266	\$ 6,333,557

See notes to financial statements.

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

**Statements of Activities
Years Ended December 31, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
U.S. government grants	\$ 2,326,690	\$ -	\$ 2,326,690	\$ 3,012,259	\$ -	\$ 3,012,259
Foundation and other restricted grants	1,367,385	902,464	2,269,849	795,699	2,543,290	3,338,989
Membership dues	2,568,205	-	2,568,205	2,638,325	-	2,638,325
Online job board	36,000	-	36,000	44,246	-	44,246
Forum, meetings and workshops	55,722	-	55,722	286,695	-	286,695
Interest and dividends	51,496	-	51,496	48,780	-	48,780
In-kind contributions	-	-	-	21,223	-	21,223
Other contributions	50,644	-	50,644	12,098	-	12,098
Other income	81,306	-	81,306	25,050	-	25,050
Net assets released from donor restrictions	1,827,012	(1,827,012)	-	1,823,607	(1,823,607)	-
Total support and revenue	8,364,460	(924,548)	7,439,912	8,707,982	719,683	9,427,665
Expenses:						
Program services:						
Member services	403,971	-	403,971	1,341,928	-	1,341,928
Federal and non-federal awards	6,761,675	-	6,761,675	5,480,172	-	5,480,172
Legislative activities	15,937	-	15,937	16,468	-	16,468
Total program services	7,181,583	-	7,181,583	6,838,568	-	6,838,568
Support services:						
General and administrative	1,620,716	-	1,620,716	1,656,674	-	1,656,674
Fundraising	-	-	-	11,361	-	11,361
Total support services	1,620,716	-	1,620,716	1,668,035	-	1,668,035
Total expenses	8,802,299	-	8,802,299	8,506,603	-	8,506,603
Change in net assets before other item	(437,839)	(924,548)	(1,362,387)	201,379	719,683	921,062
Other item:						
Unrealized and realized gain on investments, net and investment fees	277,055	-	277,055	364,628	-	364,628
Change in net assets	(160,784)	(924,548)	(1,085,332)	566,007	719,683	1,285,690
Net assets:						
Beginning	1,674,277	2,177,282	3,851,559	1,108,270	1,457,599	2,565,869
Ending	\$ 1,513,493	\$ 1,252,734	\$ 2,766,227	\$ 1,674,277	\$ 2,177,282	\$ 3,851,559

See notes to financial statements.

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

**Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services			Support Services		
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total Program Services	General and Administrative	Total
Salaries	\$ 240,250	\$ 3,748,619	\$ 12,264	\$ 4,001,133	\$ 755,741	\$ 4,756,874
Fringe benefits	43,643	1,103,969	3,612	1,151,224	243,577	1,394,801
Consulting and professional fees	13,895	157,804	-	171,699	134,665	306,364
Temporary help	-	1,000	-	1,000	2,124	3,124
Computer technical support	-	3,481	-	3,481	54,214	57,695
Telephone	540	16,901	53	17,494	9,594	27,088
Office supplies	223	4,681	8	4,912	2,304	7,216
Postage	560	761	-	1,321	1,672	2,993
Printing and duplication	2,225	12,010	-	14,235	9,347	23,582
Subscriptions and publications	347	46,553	-	46,900	24,923	71,823
Travel, hotels and meals	820	72,014	-	72,834	5,621	78,455
Meetings and conferences	99,255	14,717	-	113,972	30,997	144,969
Legal and audit fees	2,056	22,294	-	24,350	162,931	187,281
Bank charges	-	-	-	-	16,671	16,671
Other	-	-	-	-	2,169	2,169
Insurance	-	1,854	-	1,854	61,008	62,862
Occupancy	-	48,802	-	48,802	698,147	746,949
Depreciation and amortization	-	-	-	-	184,320	184,320
Furniture and equipment	-	14,444	-	14,444	104	14,548
Repairs, maintenance and equipment rental	157	4,471	-	4,628	78,338	82,966
Education and training	-	-	-	-	2,746	2,746
Sub-grants	-	488,234	-	488,234	138,569	626,803
	403,971	5,762,609	15,937	6,182,517	2,619,782	8,802,299
Allocation of indirect costs	-	999,066	-	999,066	(999,066)	-
	403,971	6,761,675	15,937	7,181,583	1,620,716	8,802,299
Allocation of general and administrative	48,526	757,157	2,477	808,160	(808,160)	-
Total	\$ 452,497	\$ 7,518,832	\$ 18,414	\$ 7,989,743	\$ 812,556	\$ 8,802,299

See notes to financial statements.

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

**Statement of Functional Expenses
Year Ended December 31, 2019**

	Program Services				Support Services		
	Member Services	Federal and Non-Federal Awards	Legislative Activities	Total Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 746,959	\$ 2,684,725	\$ 10,647	\$ 3,442,331	\$ 954,936	\$ 8,571	\$ 4,405,838
Fringe benefits	215,698	683,706	1,203	900,607	137,484	2,689	1,040,780
Consulting and professional fees	28,982	325,666	-	354,648	152,827	4	507,479
Temporary help	-	-	-	-	828	-	828
Computer technical support	-	25	-	25	130,725	-	130,750
Telephone	3,616	22,023	22	25,661	9,737	69	35,467
Office supplies	5,420	29,851	16	35,287	6,040	28	41,355
Postage	144	207	-	351	788	-	1,139
Printing and duplication	6,391	27,318	391	34,100	14,510	-	48,610
Subscriptions and publications	20,420	39,241	-	59,661	2,350	-	62,011
Travel, hotels and meals	9,300	363,658	185	373,143	21,880	-	395,023
Meetings and conferences	289,896	62,978	3,216	356,090	30,307	-	386,397
Legal and audit fees	-	2,864	-	2,864	82,781	-	85,645
Bank charges	-	-	-	-	6,766	-	6,766
Other	1,133	38	-	1,171	3,915	-	5,086
Insurance	-	2,854	-	2,854	73,279	-	76,133
Occupancy	-	50,000	-	50,000	696,206	-	746,206
Depreciation and amortization	-	-	-	-	167,792	-	167,792
Furniture and equipment	3,418	20,001	-	23,419	1,631	-	25,050
Repairs, maintenance and equipment rental	9,925	6,339	-	16,264	71,701	-	87,965
Education and training	626	357	-	983	4,036	-	5,019
Sub-grants	-	245,264	-	245,264	-	-	245,264
	1,341,928	4,567,115	15,680	5,924,723	2,570,519	11,361	8,506,603
Allocation of indirect costs	-	913,057	788	913,845	(913,845)	-	-
	1,341,928	5,480,172	16,468	6,838,568	1,656,674	11,361	8,506,603
Allocation of general and administrative	158,637	526,483	2,300	687,420	(689,312)	1,892	-
Total	\$ 1,500,565	\$ 6,006,655	\$ 18,768	\$ 7,525,988	\$ 967,362	\$ 13,253	\$ 8,506,603

See notes to financial statements.

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

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (1,085,332)	\$ 1,285,690
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	184,320	167,792
Unrealized and realized gain on investments	(298,818)	(378,352)
Bad debt expense	138,569	-
Deferred rent	(135,192)	(114,077)
Donated stock	-	(21,223)
Changes in assets and liabilities:		
(Increase) decrease in:		
U.S. government grants receivable	845,443	(1,313,787)
Foundation grants receivable	65,890	671,555
Refundable advances to field partners	(129,349)	(261,620)
Other receivables	(1,748)	4,192
Prepaid expenses	121,408	(27,100)
Security deposits	(113)	(169)
Increase (decrease) in:		
Accounts payable	60,701	(50,550)
Accrued employee benefits	158,401	19,404
Deferred revenue	619,150	52,250
Refundable advances	779,981	(1,352,467)
Net cash provided by (used in) operating activities	1,323,311	(1,318,462)
Cash flows from investing activities:		
Purchase of property and equipment	(36,829)	(19,939)
Proceeds from sales of investments	1,375,524	882,828
Purchases of investments	(1,351,964)	(1,106,759)
Net cash used in investing activities	(13,269)	(243,870)
Net increase (decrease) in cash and cash equivalents	1,310,042	(1,562,332)
Cash and cash equivalents:		
Beginning	279,768	1,842,100
Ending	\$ 1,589,810	\$ 279,768

See notes to financial statements.

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

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: InterAction: The American Council for Voluntary International Action, Inc. (InterAction) was incorporated on August 23, 1984, under the laws of the state of New York. InterAction is the largest coalition of U.S.-based international nongovernmental organizations (NGOs) focused on the world's poor and most vulnerable people. With more than 185 members operating in every developing country, InterAction works to overcome poverty, exclusion and suffering by advancing social justice and dignity for all.

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

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) in its guidance related to financial statements for nonprofit organizations, under which InterAction is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

Net assets with donor restrictions: Represent net assets that are contributions and endowment investment earnings subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of InterAction and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no perpetually restricted net assets as of December 31, 2020 and 2019.

Adopted accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition in accounting principles generally accepted in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-054, which allows entities to have not yet issued their financial statements to delay implementation of ASU 2014-09 for one year. InterAction adopted the new standard effective for the year ended December 31, 2020. The adoption of this standard did not have a significant impact on the financial statements.

Cash and cash equivalents: For purposes of the statements of cash flows, cash and cash equivalents include highly liquid investment with an original maturity of three months or less when purchase that are used to fund current obligations. Cash and certificates of deposit held for investment are recorded and classified as investments.

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

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

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

Notes to Financial Statements

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

InterAction invests in a professionally managed portfolio that contains various securities during the years ended December 31, 2020 and 2019, which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Receivables: Receivables are carried at original invoice amounts, less an estimate made for doubtful receivables based on a review of all outstanding amounts on an annual basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management has determined that all receivables are collectible; thus, there was no provision for doubtful accounts at December 31, 2020 and 2019.

Foundation grants receivable, due in more than one year, have been recorded at the present value of the estimated cash flows. There were no multi-year grants or contributions received during December 31, 2020 and 2019, that were discounted. All outstanding balances are due during the year ended December 31, 2021.

Refundable advances to field partners: Advance payments are made to field partners for projects. Expenses are recognized when project costs are incurred and approved by InterAction. Management suspects that \$138,569 of an advance to a field partner was misused and the funds are not anticipated to be recovered and, therefore, an allowance has been recorded at December 31, 2020. There was no allowance at December 31, 2019.

Property, equipment and leasehold improvements: All purchases of property, equipment and leasehold improvements in excess of \$500 are capitalized and stated at cost less accumulated depreciation and amortization. Furniture and equipment are depreciated using the straight-line method of depreciation over the useful life of the assets, generally three to five years. Leasehold improvements are amortized over the life of the lease.

Valuation of long-lived assets: Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Refundable advances: InterAction received proceeds from the Paycheck Protection Program (PPP) during the year ended December 31, 2020. InterAction recognized the funds as a refundable advance which is presented as a liability on the accompanying statements of financial position. InterAction will reduce the refundable advances balance and recognize revenue (other income) once the forgiveness conditions have been substantially met. InterAction considers the conditions to be substantially met once forgiveness determination has been received. InterAction elected this treatment under Accounting Standards Codification (ASC) 958-605, as InterAction expects to meet the PPP's eligibility criteria for forgiveness.

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

Notes to Financial Statements

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

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

Revenue recognition: InterAction receives contributions and grants from federal agencies and non-federal organizations for various purposes.

Unconditional contributions and grants are recognized as support when received. InterAction reports contributions as restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions.

Conditional contributions and grants are recognized when the conditions on which they depend are substantially met. Under ASU 2018-08, conditions are defined as refund clauses and barriers included in the grant agreement. Conditional contribution and grants, including federal awards, are recognized as revenue as qualifying expenditures are incurred. Grant receivables are recorded to the extent unreimbursed expenditures have been incurred for the purposes specified by an approved grant. InterAction defers grant payments received under approved awards from grantors to the extent the payments exceed grant expenditures incurred for the purposes specified under the grant.

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 are therefore accounted for as exchange transactions rather than as contributions. All distinct performance obligations are recognized over the same period of time.

Revenue from all other sources is recognized when earned and the performance obligations are met.

InterAction records deferred revenue in situations when amounts are invoiced or paid but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenue for revenue from contracts are classified as liabilities on the statements of financial position. There were no changes in contracts from customers that would affect economic seasonality of the statements of financial position.

There are no rights of return or refunds for any revenue streams. Payments on contracts with customers are typically due upon receipt of invoice by the customer. InterAction did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers. The level of revenue generated through contracts with customers can fluctuate due to certain economic factors, specifically the international NGO community.

Income taxes: InterAction is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, InterAction qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Income from certain activities not directly related to InterAction's exempt purpose, less applicable deductions, is subject to taxation as unrelated business income. For the years ended December 31, 2020 and 2019, InterAction had net unrelated business income totaling approximately \$30,000 and \$32,000, respectively.

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

Notes to Financial Statements

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

Management evaluated InterAction's tax positions and concluded that InterAction had taken no uncertain tax positions that require adjustment to the financial statements. Generally, InterAction is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

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

Allocation of indirect costs: For the year ended December 31, 2020, indirect costs were allocated to federal grants based upon provisional rates of 23.62% for fringe and 54.59% for overhead. The final approved rates for December 31, 2019, were the same as the 2020 provisional rates.

The indirect rate is calculated using a base of salaries, benefits and temporary help and consultant expenses. Indirect costs have been allocated to non-federal grants to the extent the donors have provided for the recovery of such costs.

Reclassification: Certain amounts in the 2019 financial statements have been reclassified to conform to the presentation of the 2020 financial statements. These reclassifications had no effect on the previously reported net assets or changes therein.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pending accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. InterAction is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: InterAction has evaluated subsequent events through September 14, 2021, the date on which the financial statements were available to be issued.

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

Notes to Financial Statements

Note 2. Liquidity and Availability of Financial Assets

InterAction regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. InterAction has various sources of liquidity at its disposal, including cash and investments. These financial assets at December 31, 2020 and 2019 are available to meet annual operating needs of the following fiscal year:

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 1,589,810	\$ 279,768
Investments	3,138,996	2,863,738
U.S. government grants receivable	680,185	1,525,628
Foundation grants receivable, net	21,241	87,131
Other receivables	4,075	2,327
Total financial assets	5,434,307	4,758,592
Less donor restrictions	(1,252,734)	(2,177,282)
Less refundable advances - grants	(460,912)	(626,823)
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 3,720,661</u>	<u>\$ 1,954,487</u>

As part of InterAction's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, InterAction invests cash in excess of daily requirements in short-term investments, which could be made available for current operations, if necessary.

Note 3. Investments

Investments consisted of the following at December 31, 2020 and 2019:

	2020	2019
Exchange traded funds	\$ 2,021,072	\$ 1,746,758
Certificates of deposit	1,043,292	54,947
Cash	74,632	1,062,033
Total investments	<u>\$ 3,138,996</u>	<u>\$ 2,863,738</u>

Investment income, net, consisted of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Realized and unrealized gain on investments, net	\$ 298,818	\$ 378,352
Interest and dividends	51,496	48,780
Investment fees	(21,763)	(13,724)
	<u>\$ 328,551</u>	<u>\$ 413,408</u>

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

Notes to Financial Statements

Note 4. Fair Value Measurements

The Fair Value Measurement topic of the FASB ASC defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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

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

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

In determining the appropriate levels, InterAction performs a detailed analysis of the assets and liabilities that are subject to accounting for fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by InterAction at December 31, 2020 and 2019. There were no liabilities subject to these provisions at December 31, 2020 and 2019.

The following summarized investments using fair value measurements at December 31, 2020:

	Total	Level 1	Level 2	Level 3
Exchange traded funds:				
Consumer cyclical	\$ 138,239	\$ 138,239	\$ -	\$ -
Utilities	9,942	9,942	-	-
Technology	326,514	326,514	-	-
Real estate	6,919	6,919	-	-
Health	170,265	170,265	-	-
Financial	107,672	107,672	-	-
Large blend	466,164	466,164	-	-
Natural resources	17,808	17,808	-	-
Industrials	86,513	86,513	-	-
Foreign large blend	462,503	462,503	-	-
Consumer staples	75,072	75,072	-	-
Communications	139,211	139,211	-	-
Equity energy	14,250	14,250	-	-
	<u>2,021,072</u>	<u>2,021,072</u>	-	-
Certificates of deposit	1,043,292	-	1,043,292	-
Investments held at fair value	<u>3,064,364</u>	<u>\$ 2,021,072</u>	<u>\$ 1,043,292</u>	<u>\$ -</u>
Cash	74,632			
Total investments	<u>\$ 3,138,996</u>			

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

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The following summarized investments using fair value measurements at December 31, 2019:

	Total	Level 1	Level 2	Level 3
Exchange traded funds:				
Consumer cyclical	\$ 99,333	\$ 99,333	\$ -	\$ -
Technology	192,775	192,775	-	-
Real estate	27,958	27,958	-	-
Health	121,625	121,625	-	-
Financial	123,894	123,894	-	-
Large blend	411,602	411,602	-	-
Natural resources	55,461	55,461	-	-
Industrials	92,794	92,794	-	-
Foreign large blend	399,201	399,201	-	-
Consumer defensive	105,366	105,366	-	-
Communication services	84,628	84,628	-	-
Equity energy	32,121	32,121	-	-
	<u>1,746,758</u>	<u>1,746,758</u>	-	-
Certificates of deposit	1,062,033	-	1,062,033	-
Investments held at fair value	<u>2,808,791</u>	<u>\$ 1,746,758</u>	<u>\$ 1,062,033</u>	<u>\$ -</u>
Cash	54,947			
Total investments	<u>\$ 2,863,738</u>			

Cash and deposits are excluded from the hierarchy, as they are not subject to the provisions of fair value measurements as they are recorded at cost.

InterAction's exchange traded funds are actively traded for identical assets and are considered Level 1 investments. The certificates of deposit were priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 investments.

Note 5. Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements and accumulated depreciation and amortization at December 31, 2020, and depreciation and amortization expense for the year ended December 31, 2020, are as follows:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation and Amortization	Net Book Value	Depreciation and Amortization Expense
Leasehold improvements	10 years	\$ 1,756,020	\$ 1,014,160	\$ 741,860	\$ 112,686
Furniture and fixtures	5-7 years	209,696	127,765	81,931	29,634
Equipment and computers	5 years	365,155	300,805	64,350	42,000
		<u>\$ 2,330,871</u>	<u>\$ 1,442,730</u>	<u>\$ 888,141</u>	<u>\$ 184,320</u>

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

Notes to Financial Statements

Note 5. Property, Equipment and Leasehold Improvements (Continued)

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

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

Note 6. Refundable Advances

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES), InterAction applied for a PPP loan with Small Business Administration (SBA) and received \$945,892 during the year ended December 31, 2020. The PPP loan has interest rate of 1% with an initial deferral of principal and interest payment; thereafter, monthly principal and interest payment are due over consecutive months, with a final payment due in May 2022. Payments will be determined if the loan is not forgiven. The loan can be prepaid without penalty at any time. InterAction used the full amount of the PPP funds for payroll and other qualified expenses, and expect the loan to be forgiven by SBA during the next fiscal year. At December 31, 2020, the PPP loan was recognized as a refundable advance of \$945,892 on the statement of financial position. No principal or interest payments have been paid through the report date. On May 29, 2021, the loan was forgiven by the bank and SBA.

Note 7. Conditional Awards

A portion of InterAction's revenue is derived from cost-reimbursable grants, which are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when InterAction has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. InterAction has conditional promises to give from grantors totaling \$4,459,946 and \$1,316,908 as of December 31, 2020 and 2019, respectively.

Note 8. Net Assets with Donor Restrictions

Donor restricted net assets include funds which are only available for specific programs or general support designated for future years. Donor restricted net assets were released from restrictions during the years ended December 31, 2020 and 2019, due to the time restriction ending or satisfaction of purpose restrictions.

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

Notes to Financial Statements

Note 8. Net Assets with Donor Restrictions (Continued)

Changes in donor restricted net assets during the year ended December 31, 2020, are as follows:

	Balance December 31, 2019	Additions	Released	Balance December 31, 2020
UPS	\$ 2,068	\$ -	\$ -	\$ 2,068
UPS Diversity	80,000	80,000	(88,539)	71,461
Alliance for International Youth Development	25,534	36,000	(9,455)	52,079
Global Public Policy Institute	6,868	-	-	6,868
Wallace Genetic Foundation	2,514	-	(2,514)	-
Wallace Genetics - Wash	14,234	25,000	(28,145)	11,089
Connect USA – Partner Vetting System	551	-	-	551
Water Aid America	2,538	-	-	2,538
Cost Recovery Project	1,600	-	-	1,600
DRG Initiative	52,661	60,000	(68,754)	43,907
Gates – Advocacy	379,292	-	(379,292)	-
Gates - Advocacy in Transition	-	578,464	(383,192)	195,272
Together Project	25,064	123,000	(119,699)	28,365
Wellspring Phase II	129,960	-	(129,960)	-
OSF	44,365	-	(44,365)	-
HIAS	239	-	-	239
MACphil	1,403,844	-	(573,097)	830,747
Risk Phase II	5,950	-	-	5,950
	<u>\$ 2,177,282</u>	<u>\$ 902,464</u>	<u>\$ (1,827,012)</u>	<u>\$ 1,252,734</u>

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

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

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

Notes to Financial Statements

Note 9. Commitments

Lease: InterAction has entered into a lease agreement for office space that is currently set to expire on July 31, 2027. The lease provides for an annual rental increase of 2.5% and straight-line monthly expense of approximately \$71,500 over the life of the lease. The lease also requires InterAction to pay its proportionate share of the building's real estate taxes and operating expenses. The value of the fixed annual increases has been deferred for the difference between the pro rata expense recognized and the total amounts paid to date under the lease and is being recognized ratably over the term of the lease.

A tenant improvement allowance totaling \$1,335,015 was allotted by the landlord for the space, which is amortized on a straight-line basis over the life of the lease. Both liabilities are included in the deferred rent total on the statements of financial position.

As part of the lease, there is a letter of credit in the benefit of the landlord in the amount of \$75,508 and \$69,834 as of December 31, 2020 and 2019, respectively.

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

Years ending December 31:	
2021	\$ 887,341
2022	909,524
2023	932,262
2024	955,569
2025	979,459
Thereafter	1,604,220
	<u>\$ 6,268,375</u>

Occupancy expense for the years ended December 31, 2020 and 2019, totaled \$746,949 and \$746,206, respectively.

Hotel contracts: InterAction has entered into contracts for hotel rooms and use of facilities relating to its 2021 conferences and meetings. In the event of cancellation, InterAction is required to pay various costs as stipulated in the contracts, the amount of which is dependent upon the date of cancellation.

Conditional grants for field partners: InterAction provided cost reimbursable grants to field partners, which are conditioned upon certain performance requirements, the incurrence of allowable expenses and approval by InterAction. As of December 31, 2020 and 2019, InterAction had \$55,900 and \$526,443 in outstanding conditional grants to field partners that have not been recorded, and advance payments of \$252,400 and \$261,620, respectively, recognized in the statements of financial position. Grant expense will be recognized as the conditions are substantially met.

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

Notes to Financial Statements

Note 10. Contingencies

Federal grants: InterAction participates in federally-assisted grant programs, which are subject to financial and compliance audits by the federal agency or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

Pandemic: The continued global pandemic in 2020 has created substantial volatility in financial markets and the economy, including geographical areas in which InterAction operates. While InterAction has mitigated the financial impact to its business, it is unknown how long these conditions will last and what the complete financial effect will be to InterAction. Accordingly, there could be further negative impact to operations, the extent to which will depend on future developments, which are highly uncertain and cannot be predicted, and as such cannot be determined.

Note 11. Retirement Plans

InterAction has a non-contributory defined contribution pension plan in accordance with Section 401(a) of the IRC. The plan covers all employees who meet certain age and employment requirements. Currently, InterAction contributes a percentage of each eligible employee's annual compensation. All contributions vest immediately. Total retirement expense under this plan was \$220,440 and \$185,235 for the years ended December 31, 2020 and 2019, respectively, and is included in fringe benefits in the accompanying statements of functional expenses.

InterAction also administers a 403(b) tax-deferred annuity plan on behalf of its employees. There were no employer contributions made during 2020 and 2019.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors

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

We have audited the financial statements of InterAction: The American Council for Voluntary International Action, Inc. (InterAction) as of and for the year ended December 31, 2020, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 audits 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.

RSM US LLP

Washington, D.C.

September 14, 2021

**InterAction: The American Council for Voluntary International Action, Inc.
Reinforcing Collective NGO Action in Humanitarian Settings: Support to
Field-Based NGO Coordination Forums**

**Schedule of Cash Receipts and Expenditures – Modified Cash Basis
Year Ended December 31, 2020**

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Cash receipts:	
Funds received during the period	\$ -
Total cash receipts	<u>-</u>
Expenditures:	
Direct costs:	
Salaries	35,326
Fringe benefits allocated	10,403
Travel	10,206
Rent and utilities	13,426
Other	1,036
Total direct costs	<u>70,397</u>
Indirect costs	7,040
Total indirect costs	<u>7,040</u>
Total expenditures	<u>77,437</u>
Expenditures in excess of cash receipts	<u>\$ (77,437)</u>