



## **OFFICE OF INSPECTOR GENERAL**

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# **AUDIT OF THE INTER-AMERICAN FOUNDATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2011 AND 2010**

**AUDIT REPORT NO. 0-IAF-12-003-C  
NOVEMBER 14, 2011**

**WASHINGTON, D.C.**



*Office of Inspector General*

NOV 14 2011

**MEMORANDUM**

**TO:** IAF President and CEO, Robert N. Kaplan

**FROM:** AIG/A, Timothy E. Cox /s/

**SUBJECT:** Audit of the Inter-American Foundation's Financial Statements for Fiscal Years 2011 and 2010 (Audit Report No. 0-IAF-12-003-C)

With this memorandum, the Office of Inspector General (OIG) transmits the audit report prepared by the certified public accounting firm of Brown & Company, CPAs, PLLC, on the financial statements as of September 30, 2011 and 2010, of the Inter-American Foundation (IAF). The OIG contracted with this independent auditor to audit the financial statements.

The independent auditor expressed an unqualified opinion on IAF's fiscal year 2011 audited financial statements and notes. The report states that the financial statements presented fairly, in all material respects, IAF's financial position, the net cost of operations, the changes in net position, and budgetary resources for the years ended September 30, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

The report contains no material weaknesses or significant deficiencies in IAF's internal control over financial reporting and no instances of noncompliance with selected provisions of applicable laws and regulations.

We reviewed the audit report and found it to be in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issues by the Comptroller General of the United States; and the Office of Management and Budget Bulletin 07-04, Audit Requirements for the Federal Financial Statements, as amended.

In connection with our contract, we reviewed the independent auditor's related audit documentation. Our review, which is different from an audit; in accordance with the auditing standards discussed above, our review was not intended to enable us to express, and we do not express, an opinion on IAF's financial statements. Also, we did not express conclusions on the effectiveness of IAF's internal control or on IAF's compliance with other laws and regulations.

The independent auditor was responsible for the attached auditor's report dated November 8, 2011 and the conclusions therein. Our review disclosed no instances where the independent auditor did not comply, in all material respects, with the auditing standards discussed above.

The Office of Inspector General appreciates the cooperation and the courtesies extended to our staff and the staff of Brown & Company, CPAs, PLLC, during the audit. If you have questions concerning this report, please contact Rohit Chowbay at (202) 712-1317.



# INTER-AMERICAN FOUNDATION



## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Fiscal Years Ended September 30, 2011 And 2010



**INTER-AMERICAN FOUNDATION  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**

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# Inter-American Foundation

*An Independent Agency of the U.S. Government*

## **PERFORMANCE AND ACCOUNTABILITY REPORT (PAR)**

### **Message from the President**

The Inter-American Foundation (IAF), an independent foreign assistance agency of the United States government, provides grants to grassroots organizations in Latin America and the Caribbean. Created in 1969, the IAF responds to innovative, participatory and sustainable self-help development projects proposed by grassroots groups and organizations that support them. It also encourages partnerships among community organizations, businesses and local governments directed at improving the quality of life for poor people and strengthening democratic practices. To contribute to a better understanding of the development process, the IAF shares its experiences and the lessons it has learned.

The IAF is governed by a nine-person board of directors appointed by the President of the United States and confirmed by the U.S. Senate. Six members are drawn from the private sector and three from the public sector. The board is assisted by an advisory council. A president, appointed by the board, serves as the Inter-American Foundation's chief executive officer, managing a staff of 47 employees based in Arlington, Virginia. The IAF is organized into four offices; Executive, which houses the Office of the President and General Counsel; External and Governmental Affairs; Operations, which manages Evaluation, Financial Management, Human Resources and Information Management; and the Program Office, which manages the grant program. An organization chart can be found on page nine.

Despite recent positive macroeconomic performance in some countries, poverty, glaring inequality and social exclusion persist and are at the root of the most serious challenges the United States faces in our relations with the countries of the region. In this context, and consistent with the Presidential Directive on Global Development, the IAF contributes to U.S. foreign policy objectives by contributing its specialized expertise, experience and programmatic focus on community development so that poor and marginalized groups have an opportunity to participate in local economic growth and engage in civic life. The IAF coordinates with other U.S. government agencies and levers private contributions, including from local partners and community beneficiaries of the IAF's assistance.

The IAF is effective for the following reasons:

- It is responsive to the challenges, priorities and solutions emerging directly from organized communities, who demonstrate their ownership and responsibility towards improving their circumstances.
- It is results-oriented, investing modest grants to support projects that yield high returns and help communities manage risk.



- It insists that communities show leadership and that they commit their own resources to ensure that projects are effective and sustainable.
- It is efficient and operates with minimal bureaucracy.
- It has the flexibility to adjust quickly to changing conditions and continue engagement at the community level even when bilateral relations are strained.

In 2011 the IAF invested in 61 new grants and 33 supplemental grants to organizations in 17 countries. Many of these grants directly benefit African descendants, indigenous communities, persons with disabilities and disadvantaged women and youth, providing opportunities for these historically excluded groups to participate more fully in economic and civic life. Application of the Grassroots Development Framework (GDF), the IAF's analytical tool for ensuring that investments contribute meaningfully to real community development results, allows the agency to choose higher-impact projects and assess how its investments yield long-term development benefits that extend far beyond the grantees' immediate objectives.

Effective community development requires communities themselves to play a protagonist role. All IAF grantees are required to contribute to their projects in cash or in kind, as the IAF's experience shows that community groups are more likely to succeed if they have a stake in the outcome. The IAF also expects grantees to mobilize additional resources and collaborate with their local and central governments, local businesses and other organizations so that progress continues after IAF funding ceases. As a result of these efforts, counterpart resources committed in 2011 totaled \$19.5 million, more than matching the IAF's investment of \$14.9 million.

Nearly ten years ago, the IAF created the RedEAmérica network of corporate foundations in the region to apply this leverage to a larger number of partners. Today, that network has grown to 68 dues-paying members supported by over 360 corporations in 11 countries. When the IAF invests in a community group with a RedEAmérica member, those partners match or double the IAF's contribution. As important as the funds co-invested through this initiative is the fact that RedEAmérica members or their parent corporations continue to invest in grassroots development on their own, applying tools created with the IAF to select projects and track results. The time is ripe for the IAF to expand its work with RedEAmérica and other private partners and increase the leverage of its appropriation, raising more private sector resources for sustainable community development.

The Presidential Directive on Global Development calls for coordination among U.S. agencies. The IAF has taken concrete steps in FY11 to do so and will increase efforts in FY12 and beyond. The IAF's specialized expertise and assistance complements the efforts of other agencies and increases the return on the total U.S. investment, ensuring that more poor and marginalized communities will benefit. The IAF also collaborates with the U.S. Department of State and others to advance important foreign-policy priorities through the Partnership for Growth, and broader regional initiatives such as the Inter-American Social Protection Network, and the Joint Action Plan to Eliminate Racial and Ethnic Discrimination and Promote Equity.

## ANNUAL PERFORMANCE REPORT (APR)

### Accomplishments of the Annual Performance Measures for FY 2011

In fiscal 2011 the Inter-American Foundation received an appropriation of \$22,499,000 minus a rescission of \$44,998 for a total of \$22,454,002 for program and program support activities, which was supplemented by \$4,615,000 from the Social Progress Trust Fund for development grants and by \$100,000 in carry-over funds. The total budget was \$27,169,002.

**Goal One.** Fund effective development projects that improve the quality of life as evidenced by measurable indicators.

**Performance Measure:** Grants funded in the fiscal year that target a better quality of life for beneficiaries as evidenced by measurable indicators.

FY-08 Results	FY-09 Results	FY-10 Results	FY-11 Target	FY-11 Results	FY-11 Rating	FY-12 Target	FY-13 Target
101	118	121	105	94	Under target	103	100

Data Source: IAF official budget records, annual reports and submissions to OMB and Congress.

The IAF responded to the best proposals it received in fiscal 2011 by awarding 61 new grants to grassroots and nongovernmental organizations. The IAF also amended its awards to 33 organizations funded in prior years. The 94 grants and supplements went to Latin American and Caribbean organizations based in 17 countries in the region. The IAF did not meet its target of 105 funding actions because it had a shortfall of \$2.7 million in grant funds between FY-10 and FY-11.

New grantees include organizations that will provide training that makes agriculture more productive and less damaging to the environment, resulting in a more reliable and diverse food supply and better income. Several organizations are working to improve access to clean water and sanitation, thereby reducing exposure to water-borne illnesses and improving the quality of the lives of the thousands of women who traditionally carry water to their homes. Some offer educational opportunities and legal services. Others are developing ecotourism and community tourism, traditional craft production and food-processing as sources of income. Credit programs, training in business development, supportive networks and mentoring will benefit entrepreneurs. Communities will have access to subgrant funds supporting their enterprises and other development initiatives. Two grantees will reach Colombians displaced by armed conflict and Haitian victims of the January 2010 earthquake.

**Goal One.** Fund effective development projects that improve the quality of life as evidenced by measurable indicators.

**Performance Measure:** Percentage of grantees whose funding ends in the prior fiscal year that met or exceeded outcome goals specified for each project.

FY-08 Results	FY-09 Results	FY-10 Results	FY-11 Target	FY-11 Results	FY-11 Rating	FY-12 Target	FY-13 Target
69%	73%	86%	80%	82%	Above target	80%	80%

Data Source: IAF official budget records, annual reports and submissions to OMB and Congress.



Of 28 grantees whose funding expired in fiscal 2010, 82 percent met or exceeded their goals. Their accomplishments include, *inter alia*, expanding the reach of their credit programs, including those extending microloans; providing farmers technical assistance and training toward better harvests of fruits, vegetables, basic grains and cacao, increased production of small livestock and the development of a more reliable food supply; launching microenterprises selling fish and shrimp, honey and cacao; offering assistance toward more effective marketing; addressing domestic violence and the need for legal services; creating jobs in agriculture; and providing greater access to water by building reservoirs that community residents maintain.

<u>Goal Two:</u> Stimulate and encourage broader participation in the development process and broader engagement in democratic practices.							
<u>Performance Measure:</u> Grants awarded to groups and organizations of the marginalized and disenfranchised, including African descendants, indigenous peoples, persons with disabilities, women and young people.							
FY-08 Results	FY-09 Results	FY-10 Results	FY-11 Target	FY-11 Results	FY-11 Rating	FY-12 Target	FY-13 Target
59	81	79	70	70	On target	72	60
Data Source: IAF official budget records, annual reports and submissions to OMB and Congress.							

African descendants, indigenous peoples, persons with disabilities, women and young people are expected to benefit from 32 new and ten supplemental grants to various organizations in Latin America and the Caribbean.

- Thirteen new grants or supplemental awards, valued at \$2.2 million, were awarded to organizations serving African descendants in Brazil, Colombia, the Dominican Republic, Ecuador, Haiti and Peru. The grantees will offer training in enterprise development, new agricultural technologies and responsible farming methods that protect the resource base, and will provide educational opportunities for girls and young women at risk.
- The IAF’s long history of support for indigenous peoples continues with new and supplemental awards, valued at \$3.9 million, that are reaching 26 organizations in Bolivia, Colombia, El Salvador, Guatemala, Mexico, Panama and Peru. Grantees plan to improve agricultural production, further enterprises related to crafts and tourism, expand access to clean water, protect natural resources and conform possession and ownership of land to traditional practice.
- The IAF funded 15 new or supplemental awards, valued at \$2.3 million, to organizations emphasizing young people, including in the leadership of initiatives to generate income or employment
- The IAF awarded 15 new and supplemental grants, valued at \$1.3 million, to organizations that specifically support artisans, farmers, mineworkers and other women as they, *inter alia*, increase their productivity, expand small businesses and work to protect health and the environment
- A supplemental grant awarded to Fundación Saraki will be used to train 1,300 representatives of disability-rights organizations working in a coalition to improve opportunities and conditions for the 100,000 Paraguayans with disabilities that they represent.

Goal Three: Draw more resources into grassroots development.

Performance Measure: Total verified dollar amount of in-kind and cash resources contributed or mobilized by grantees to further their efforts.

FY-08 Results	FY-09 Results	FY-10 Results	FY-11 Target	FY-11 Results	FY-11 Rating	FY-12 Target	FY-13 Target
\$1.1m	\$5.4m	\$3.6m	\$3.5 m	\$3.7m	Above target	\$3m	\$3m

Data Source: IAF official budget records, annual reports and submissions to OMB and Congress.

The most recent information available is from fiscal 2010. According to verified figures, grantees raised an additional \$3.7 million, \$2.3 million in cash and \$1.4 million in kind, to invest toward the sustainability of their projects and organizations. This amount is beyond the required counterpart commitments, which in aggregate more than match the IAF's investment. Counterpart resources committed in 2011 totaled \$19.5 million, more than matching the IAF's investment of \$14.9 million. Over its 40 years, the IAF's investment of \$700 million in grant funds has generated counterpart resources worth \$1 billion.

Goal Four: Further the understanding and effectiveness of grassroots development by disseminating the IAF's experiences and approach and funding research.

Performance Measure: Funded fellowships supporting doctoral research on related topics that adds to the body of knowledge related to grassroots development.

FY-08 Results	FY-09 Results	FY-10 Results	FY-11 Target	FY-11 Results	FY-11 Rating	FY-12 Target	FY-13 Target
11	15	15	15	15	On target	15	15

Data Source: IAF official budget records, annual reports and submissions to OMB and Congress.

The IAF awarded 15 Grassroots Development Fellowships in 2011, which represented the fourth cycle of its reinstated program of support for research conducted by Ph.D. students who have advanced to candidacy in U.S. universities. The Fellows were selected on the strength of their academic record, their proposals and their potential contribution to grassroots development. In 2011, the IAF formalized its juried competition for publications by IAF Fellows. Manuscripts submitted underwent an independent, anonymous peer review and two were selected for publication in the IAF's 2011 *Grassroots Development* journal. Among other benefits, this brings the Fellowship program to a wider audience.

A unique feature of the IAF program is the mid-year meeting that gives Fellows an opportunity to share the results of their work with each other, with the IAF and with the Academic Review Panel that selected them. At the end of their meeting, 10 Fellows in the 2010-2011 cycle organized two back-to-back panels for the Congress of the Latin American Studies Association (LASA) scheduled for May 2012. Kevin Healy, IAF representative for Bolivia and an internationally recognized scholar in his own right, agreed to serve as overall chair; two members of the IAF's Academic Review Committee will join the panels as discussants.

Goal Five: Build upon and enhance current efficiency measures.

Performance Measure: Reduction in the portion of IAF's budget spent on program support.

FY-08 Results	FY-09 Results	FY-10 Results	FY-11 Target	FY-11 Results	FY-11 Rating	FY-12 Target	FY-13 Target
28.2%	26.6%	27.9%	28%	29.9%	Under target	30%	30%

Data Source: IAF official budget records, annual reports and submissions to OMB and Congress.

Applying guidelines of the American Institute of Certified Public Accountants (AICPA) Guide for Not-for-Profit Organizations to calculate the IAF’s overhead expenditure in FY11 yields a figure of 13 percent, which is highly competitive with non-governmental foundations.

Because of prudent fiscal management, the IAF was able to transfer \$660,000 of overhead/program support funds to the grant program.

The IAF has significantly streamlined operations and lowered overhead by outsourcing key administrative and technical functions through its longstanding inter-agency franchise agreements with the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury and the National Business Center (NBC) of the U.S. Department of the Interior. BPD provides services related to procurement, accounting, the budget, travel and information technology (IT); NBC provides payroll and human resource services that include timekeeping, processing and reporting personnel actions, and to online applications such as the Federal Personnel and Payroll System (FPPS) and Employee Express. These arrangements produce a savings in full-time equivalencies (FTEs) and overhead as well as a depth of expertise that the IAF could not otherwise afford. Some further savings resulted in FY11 when BPD assumed additional financial management duties and the agency consolidated staff functions.

The IAF has been piloting the Internet Payment Platform (IPP), a new Web-based system for approving invoices, which has allowed BPD to consolidate some positions and reduce its service fee. Thanks to BPD and IPP’s excellent technical support, IAF staff has found the system very efficient.

Maintaining current FTE levels and support systems is essential to achieving program goals. IAF will continue to introduce technology and E-Gov initiatives that improve efficiency and further reduce the cost of enterprise network equipment and maintenance, human resource operations, travel and telecommunications. Since fiscal 2009, the IAF has participated with NBC in E-Gov initiatives to improve personnel operations. In fiscal 2010, the eOPF project converted all Official Personnel Folder (OPF) records to electronic format, which saves staff time in maintaining the folders and affords IAF employees access on-line. The IAF is also planning to take advantage of NBC’s Workforce Transformation and Tracking System (WTTS) and Entry on Duty Systems (EODS) currently in preparation by the Department of Interior for roll-out in fiscal 2012. These applications will further streamline operations and lower costs through additional automation and the elimination of redundant data. NBC’s Talent Management System (TMS), which includes modules for learning and performance management, is also under consideration for deployment by the IAF in fiscal 2012.

Under its agreement with IAF, BPD’s IT support includes security, network administration and help-desk services. The data center at the IAF’s Arlington offices has six servers that are maintained remotely through a VPN connection by IT specialists at BPD’s facility in West Virginia. BPD also

hosts the IAF alternate COOP data center in West Virginia. Consolidated purchases of computer equipment through BPD in fiscal 2011 allowed the IAF to complete acquisitions efficiently and at less cost through discounts for bulk purchases.

The IAF continues to use the Central Contractor Registration, the sole repository for pertinent data for all USG suppliers. Integration allows BPD and the IAF to more efficiently maintain current data related to suppliers. The IAF is supporting the Financial Management Line of Business (FMLOB) Initiative by using BPD's Oracle Federal Financials System and related accounting and procurement services and BPD has been reporting FMLOB metrics for IAF for the past three years. The Oracle platform provides real-time, user-friendly financial reports. Since fiscal 2005, the IAF has been using GovTrip, the government-wide E-Gov Travel system integrating online booking with the automated authorization and vouchering process allowing travelers to attach receipts electronically.

A modest portion of program support funds are invested in staff development, including through mentoring and coaching, online training, workshops and seminars, and BPD and NBC's on-site classes. IAF subscribes to the Small Agency Council's training program offering, for a \$2,000 annual fee, between 25 and 30 courses each year through the Graduate School of the U. S. Department of Agriculture. Approximately 25 percent of IAF employees take at least one class in job-related skills or professional development at a significant savings to the agency. As the classes cost between \$700 and \$1500 each, the IAF generally recovers the annual fee after two or three enrollments.

Volunteer internships offer work experience to qualified undergraduate and graduate students from across the country, who assist employees in IAF's various offices. The IAF approved six internships in fiscal 2011. The IAF plans to continue working with Partners of the Americas to sponsor outstanding civil servants from Latin America and the Caribbean who spend between two and four months working in a federal agency. The U.S. Department of State covers all expenses of the program, while the host agency provides an assignment and a mentor.

In fiscal 2009, the IAF transitioned to General Services Administration's Federal Technology Service (GSA/FTS) Networx and WITS3 new government-wide telecommunications contracts. This resulted in a savings of 35 percent in expenditures for domestic and international telephone services in 2011.

The IAF is further improving its efficiency and direct financial savings over the next few years by relocating its office and reducing rental space from 18,000 square feet to approximately 12,500 square feet. Cost-benefit analysis indicates that this will provide a slight net reduction in annual rental cost over the next five years, and a significant reduction of over \$1 million in the subsequent five years.

The IAF continues to receive unqualified audits of its financial statements, internal controls over financial reporting, and its compliance with relevant federal laws and regulations.

In spite of the above initiatives, the IAF was unable to meet its overhead target, mainly because of a reduced budget of \$3.9 million between FY-11 and FY-10.

I am pleased to introduce the IAF's FY 2011 financial statements, which reflect the IAF's quest to become increasingly innovative while adhering to its core principles.

The financial statements and performance results data are complete, reliable and in accordance with the Office of Management and Budget (OMB) requirements and in conformity with generally accepted accounting principles. The IAF has appropriate management controls in place to ensure that all internal controls are operating in accordance with applicable policies and procedures and are effective in meeting the requirements imposed by Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA).

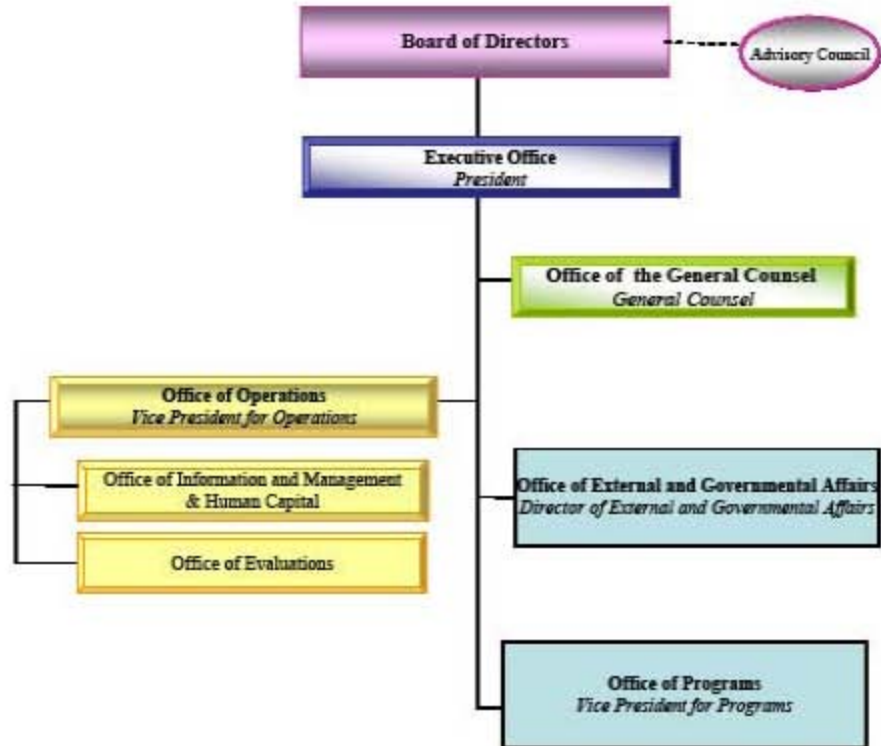
Signed:

/s/

Robert N. Kaplan  
President and CEO

# Inter-American Foundation

as of October 1, 2011



## MANAGEMENT DISCUSSION AND ANALYSIS

*The Inter-American Foundation (IAF) is a resourceful, agile, cost-effective agency efficient in its operations, innovative and effective in its grassroots development programs. The IAF learns from its experience, and uses the lessons learned to improve its own grant making decisions and to advance the knowledge and success of development practitioners, donors, and policy makers.*

### **Mission and Organizational Requirements**

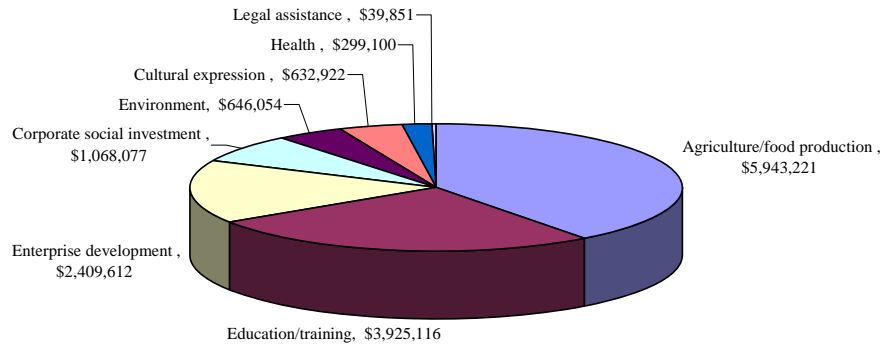
The Inter-American Foundation funds self-help and participatory development efforts in ways that support democracy and strengthen the bonds of friendship and understanding in the Western Hemisphere. The IAF supports initiatives proposed by the organized poor in Latin America and the Caribbean to improve their quality of life. IAF staff, representing the American government and people, maintain a supportive relationship with the grantees and their beneficiaries during the course of projects and, frequently, beyond. The IAF's experiences are documented and shared with a broad and diverse audience.

The IAF vision is a steady expansion of support for grassroots development and greater participation by the people of Latin America and the Caribbean in their countries' economic development, social processes and political life. The IAF will continue to respond to the best ideas from the region, empowering people by strengthening a vast infrastructure of community groups and nongovernmental organizations that has become a highly effective and transparent channel for productive foreign assistance. Because a broader resource base is crucial to an expanded IAF program, the IAF will seek additional resources from various sources. The IAF will build on its well-documented record of drawing local government, businesses, corporate foundations and transnational communities into grassroots development. Through disseminating the lessons of its investment to other donors, to policymakers and to American taxpayers, the IAF can continue to lead the development community toward a realization that bottom-up development, in which the organized poor play a leading role, is more effective than traditional top-down approaches.



The FY 2011 funding actions are divided among primary program areas as follows:

FY11 Grants by Program Area



FY11 GRANTS FUNDED BY PRIMARY PROGRAM AREA		
Program Area	IAF \$	Funding Actions
Agriculture/food production	5,943,221	33
Education/training	3,925,116	24
Enterprise development	2,409,612	20
Corporate social investment	1,068,077	5
Environment	646,054	5
Cultural expression	632,922	5
Health	299,100	1
Legal assistance	39,851	1
<b>Total</b>	<b>14,963,953</b>	<b>94</b>

## FISCAL 2012 PERFORMANCE MEASURES

***High-Priority Goal One:** Fund effective development projects that improve the quality of life as evidenced by measurable indicators.*

**Problem/need/challenge addressed:** Congress created the IAF in 1969, underlining the linkage between supporting self-help development efforts and civic engagement on the one hand, and freedom, security and inclusive economic development of the hemisphere on the other. The IAF's delivery of U.S. government assistance directly to the organized poor has proved both cost-effective and successful. However, desperate needs are still unmet and glaring inequities persist. In addition to the human suffering that is the direct result of poverty, the consequences have included the hollowing out of communities as desperate people migrate or become vulnerable to organized crime, breeding instability that endangers the democratic process, among other strategic concerns.

**Contributing IAF programs:** Development grants, bolstered by an evaluation system that holds grantees accountable for results and draws timely lessons to share broadly and thereby multiply the impact of the IAF's investment.

**Contributing external U.S. government programs:** All grantees are vetted by the respective U.S. Embassy and grants are subject to approval by the United States Congress.

**Lead persons/positions:** Vice president, Office of Programs (development grants); director of evaluations, Office of Operations (results verification).

**Strategy and key measures:** The IAF responds to the best ideas for self-help development in response to our call-for-proposals. IAF grants to grassroots groups and the organizations that support them fund efforts to strengthen communities and improve the quality of life as measured by objective indicators including: new jobs and increased incomes; better housing and nutrition; improved access to water, sanitation and health care services; credit, training and technology resulting in more productive agriculture and businesses. Grantees commit to working toward mutually agreed-upon goals, and the IAF monitors progress at regular intervals.

**Performance Measure 1.1:** Grants in the fiscal year that target a better quality of life for beneficiaries as evidenced by measurable indicators.

**Performance Measure 1.2:** Percentage of grantees whose funding ended in FY 2011 that met or exceeded outcome goals specified for each project.

**Performance Measure 1.3:** Accomplishments, reported by IAF grantees active in FY 2011 that improved the quality of life as evidenced by measurable indicators.

***High-Priority Goal Two:** Stimulate broader participation in the development process and broader engagement in democratic practices.*

**Problem/need/challenge addressed:** Discrimination on the basis of race, ethnicity, disability, age, and gender means that African descendants, indigenous peoples, people with disabilities and women are disproportionately represented among the poor in Latin America and the Caribbean and disproportionately excluded from civic life and social services. When youth are not able to find productive employment or income opportunities, social and political discourse can become more volatile.

**Contributing IAF programs:** Development grants, bolstered by an evaluation system that holds grantees accountable for results and draws timely lessons to share broadly and thereby multiply the impact of the IAF's investment, and travel grants.

**Contributing external U.S. government programs:** Development grants are subject to congressional and U.S. Embassy approval. The IAF expects to continue to collaborate on programs sponsored by the Smithsonian Institution and the U.S. Department of State, among other agencies.

**Lead persons/positions:** Vice president, Office of Programs, (development grants); vice president (travel grants) and director of evaluations, (results verification), Office of Operations.

**Strategy and key measures:** Outreach to grassroots groups and nongovernmental organizations serving African descendants, indigenous peoples, persons with disabilities, women and youth assures their awareness of IAF's development funding. The IAF also sponsors representatives of marginalized groups in conferences, exchanges and other events that facilitate access to resources and information and offer opportunities to network.

**Performance Measure 2.1:** Grants awarded to groups and organizations of the marginalized and disenfranchised, including African descendants, indigenous peoples, people with disabilities, women and young people.

**Performance Measure 2.2:** Events supported or organized to stimulate broader participation in the development process or engagement in democratic practices.

*High-Priority Goal Three: Draw more resources into grassroots development.*

**Problem/need/challenge addressed:** A broader resource base is crucial to IAF's vision for a steady expansion of support for grassroots development. The stimulation of investment from corporate, philanthropic and public sources within participating countries in the region can multiply the IAF's impact many times over.

**Contributing IAF programs:** The IAF's program of development grants, evaluation system (see High-Priority Goal One), together with new partnership initiatives engaging the public and private sector.

**Contributing external U.S. government programs:** These vary from year to year. The IAF is currently partnering with the U.S. Department of State.

**Lead persons/positions:** Director, Office of External and Governmental Affairs (partnership development and fundraising); Vice president, Office of Programs, (development grants); vice president (travel grants) and director of evaluations, (results verification), Office of Operations.

**Strategy and key measures:** The IAF will continue to require grantees to contribute counterpart funding toward their projects and encourage them to obtain additional support toward sustaining their efforts through, inter alia, partnerships with local governments, businesses and philanthropic institutions, as well as through new links to other U.S. and European donor sources. The IAF will seek to expand opportunities in the business sector in the region, including through RedEAmérica,

an IAF-launched network of Latin America and Caribbean corporate foundations representing more than 360 companies committed to investing in grassroots development. The IAF will make every effort to bring its specialized expertise to bear in partnership with federal agencies and other development organizations willing to invest in advancing grassroots projects.

**Performance Measure 3.1:** Total verified dollar amount of in-kind and cash resources contributed or mobilized by grantees to further their efforts.

**Performance Measure 3.2:** The dollar amount of resources invested in grassroots development through RedEAmérica and other corporate partners and donors.

**Performance Measure 3.3:** Activities to encourage the investment of resources in development partnerships.

**Performance Measure 3.4:** Funds secured as a result of private and philanthropic sector donation, investment, or sponsorship of IAF activities.

***High-Priority Goal Four:** Further understanding of the effectiveness of grassroots development by analyzing and disseminating lessons from the IAF's experiences and approach and by funding research.*

**Problem/need/challenge addressed:** No longer considered experimental, the IAF's responsive funding is increasingly recommended as the best way to improve the quality of life in marginalized communities. However, donors, policymakers and American taxpayers still need deeper understanding of poverty and inequality in Latin America and the Caribbean or the effectiveness of bottom-up development, in which the organized poor take the initiative and do the work, as opposed to traditional top-down approaches. Producing new knowledge about how development works in the ever-changing context of the region today is a task that still requires the intellectual leadership for which the IAF was created.

**Contributing IAF programs:** Carefully chosen projects; publications and communications; Grassroots Development Fellowships; events organized and supported.

**Contributing external U.S. government programs:** These vary from year to year.

**Lead persons/positions:** Director, Office of External and Governmental Affairs, director of publications and fellowships, Office of External and Governmental Affairs; vice president, Office of Operations, (travel grants); Vice President for Programs and Foundation representatives.

**Strategy and key measures:** Through its annual report, website, journal Grassroots Development and other communications published in English, Spanish and Portuguese, the IAF's experiences and approach reach a diverse international audience. Carefully selected projects test and document new approaches to problems. IAF staff and grantee representatives further disseminate the IAF's experiences and its approach through conferences and speaking engagements in a range of venues. IAF Grassroots Development Fellowships support dissertation research on relevant topics by Ph.D. candidates in U.S. universities, contributing to the cadre of specialists and to exposure to the field of grassroots development as Fellows become professionals and assume leadership roles in both the public and private sectors.

**Performance Measure 4.1:** Publications and other communications produced that disseminate the IAF's experiences and approach.

**Performance Measure 4.2:** Conferences, workshops, grantee exchanges, staff outreach and other activities sharing the IAF's experience with and approach to grassroots development.

**Performance Measure 4.3:** Funded research, including fellowships supporting doctoral research on related topics that adds to the body of knowledge related to grassroots development.

*High-Priority Goal Five: Build upon and enhance current efficiency measures.*

**Problem/need/challenge addressed:** Resources for government programs are already scarce and, in the current context, further reductions are likely. Meanwhile, costs, including overhead expenses, are expected to continue to rise. The Social Progress Trust Fund is moving toward depletion and is variable from year to year, making it difficult to maintain a stable total resource envelope.

**Contributing IAF programs:** Inter-agency franchise agreements; travel grants.

**Contributing external U.S. government programs:** Bureau of the Public Debt (BPD), Department of the Treasury; National Business Center (NBC), Department of the Interior; General Services Administration's Federal Technology Service (GSA-FTS).

**Lead persons/positions:** Vice president, Office of Operations, and director of information and management services, Office of Operations.

**Strategy and key measures:** The IAF will work to draw maximum value from resources allocated to programs. It will continue outsourcing to specialized government agencies many support services: procurement, accounting, travel, human resources, payroll, equal employment opportunity and information technology. The following cost-cutting measures will be in effect in fiscal 2012:

- Continued outsourcing of key accounting, budgeting, travel and information technology services to BPD;
- Continued outsourcing of payroll and human resource services to NBC;
- The introduction of new technology and E-Gov initiatives to reduce the costs of enterprise network equipment and maintenance, human resource operations, travel and telecommunications;
- Bulk purchases of computer equipment through BPD;
- Conversion of all Official Personnel Folder (OPF) records to electronic format and full implementation of the Electronic Official Personnel Folder (eOPF) online application;
- Adoption of the Workforce Transformation and Tracking System (WTTS) and Entry on Duty Systems (EODS) which NBC is preparing for roll-out;
- Deployment of NBC's Talent Management System (TMS), with modules for learning management and performance management;
- Employee development through mentoring and coaching, online training, classes held by BPD and NBC, and the Small Agency Council training program of USDA Graduate School courses available at a reduced cost;
- Internships for between six and 10 university student-volunteers;
- Continued hosting and mentoring of outstanding civil servants from Latin America and the Caribbean, sponsored by Partners of the Americas and funded by the U.S. State Department for between two and four months;

- Continued telecommunications savings with the new GSA-FTS telecommunications agreement.
- Reduction of office rental footprint to secure long-term savings.

**Performance Measure 5.1:** Reduction in the portion of IAF's budget spent on program support.

## **FISCAL 2013 PERFORMANCE MEASURES**

***High-Priority Goal One:** Fund effective development projects that improve the quality of life as evidenced by measurable indicators.*

**Problem/need/challenge addressed:** Congress created the IAF in 1969, underlining the linkage between supporting self-help development efforts and civic engagement on the one hand, and freedom, security and inclusive economic development of the hemisphere on the other. The IAF's delivery of U.S. government assistance directly to the organized poor has proved both cost-effective and successful. However, desperate needs are still unmet and glaring inequities persist. In addition to the human suffering that is the direct result of poverty, the consequences have included the hollowing out of communities as desperate people migrate or become vulnerable to organized crime, breeding instability that endangers the democratic process, among other strategic concerns.

**Contributing IAF programs:** Development grants, bolstered by an evaluation system that holds grantees accountable for results and draws timely lessons to share broadly and thereby multiply the impact of the IAF's investment.

**Contributing external U.S. government programs:** All grantees are vetted by the respective U.S. Embassy and grants are subject to approval by the United States Congress.

**Lead persons/positions:** Vice president, Office of Programs (development grants); director of evaluations, Office of Operations (results verification).

**Strategy and key measures:** The IAF responds to the best ideas for self-help development in response to our call-for-proposals. IAF grants to grassroots groups and the organizations that support them fund efforts to strengthen communities and improve the quality of life as measured by objective indicators including: new jobs and increased incomes; better housing and nutrition; improved access to water, sanitation and health care services; credit, training and technology resulting in more productive agriculture and businesses. Grantees commit to working toward mutually agreed-upon goals, and the IAF monitors progress at regular intervals.

**Performance Measure 1.1:** Grants in the fiscal year that target a better quality of life for beneficiaries as evidenced by measurable indicators.

**Performance Measure 1.2:** Percentage of grantees whose funding ended in FY 2012 that met or exceeded outcome goals specified for each project.

**Performance Measure 1.3:** Accomplishments, reported by IAF grantees active in FY 2012 that improved the quality of life as evidenced by measurable indicators.

*High-Priority Goal Two: Stimulate broader participation in the development process and broader engagement in democratic practices.*

**Problem/need/challenge addressed:** Discrimination on the basis of race, ethnicity, disability, age, and gender means that African descendants, indigenous peoples, people with disabilities and women are disproportionately represented among the poor in Latin America and the Caribbean and disproportionately excluded from civic life and social services. When youth are not able to find productive employment or income opportunities, social and political discourse can become more volatile.

**Contributing IAF programs:** Development grants, bolstered by an evaluation system that holds grantees accountable for results and draws timely lessons to share broadly and thereby multiply the impact of the IAF's investment, and travel grants.

**Contributing external U.S. government programs:** Development grants are subject to congressional and U.S. Embassy approval. The IAF expects to continue to collaborate on programs sponsored by the Smithsonian Institution and the U.S. Department of State, among other agencies.

**Lead persons/positions:** Vice president, Office of Programs, (development grants); vice president (travel grants) and director of evaluations, (results verification), Office of Operations.

**Strategy and key measures:** Outreach to grassroots groups and nongovernmental organizations serving African descendants, indigenous peoples, persons with disabilities, women and youth assures their awareness of IAF's development funding. The IAF also sponsors representatives of marginalized groups in conferences, exchanges and other events that facilitate access to resources and information and offer opportunities to network.

**Performance Measure 2.1:** Grants awarded to groups and organizations of the marginalized and disenfranchised, including African descendants, indigenous peoples, people with disabilities, women and young people.

**Performance Measure 2.2:** Events supported or organized to stimulate broader participation in the development process or engagement in democratic practices.

*High-Priority Goal Three: Draw more resources into grassroots development.*

**Problem/need/challenge addressed:** A broader resource base is crucial to IAF's vision for a steady expansion of support for grassroots development. The stimulation of investment from corporate, philanthropic and public sources within participating countries in the region can multiply the IAF's impact many times over.

**Contributing IAF programs:** The IAF's program of development grants, evaluation system (see High-Priority Goal One), together with new partnership initiatives engaging the public and private sector.

**Contributing external U.S. government programs:** These vary from year to year. The IAF is currently partnering with the U.S. Department of State.

**Lead persons/positions:** Director, Office of External and Governmental Affairs (partnership development and fundraising); Vice president, Office of Programs, (development grants); vice president (travel grants) and director of evaluations, (results verification), Office of Operations.

**Strategy and key measures:** The IAF will continue to require grantees to contribute counterpart funding toward their projects and encourage them to obtain additional support toward sustaining



their efforts through, inter alia, partnerships with local governments, businesses and philanthropic institutions, as well as through new links to other U.S. and European donor sources. The IAF will seek to expand opportunities in the business sector in the region, including through RedEAmérica, an IAF-launched network of Latin America and Caribbean corporate foundations representing more than 360 companies committed to investing in grassroots development. The IAF will make every effort to bring its specialized expertise to bear in partnership with federal agencies and other development organizations willing to invest in advancing grassroots projects.

**Performance Measure 3.1:** Total verified dollar amount of in-kind and cash resources contributed or mobilized by grantees to further their efforts.

**Performance Measure 3.2:** The dollar amount of resources invested in grassroots development through RedEAmérica and other corporate partners and donors.

**Performance Measure 3.3:** Activities to encourage the investment of resources in development partnerships.

**Performance Measure 3.4:** Funds secured as a result of private and philanthropic sector donation, investment, or sponsorship of IAF activities.

***High-Priority Goal Four:** Further understanding of the effectiveness of grassroots development by analyzing and disseminating lessons from the IAF's experiences and approach and by funding research.*

**Problem/need/challenge addressed:** No longer considered experimental, the IAF's responsive funding is increasingly recommended as the best way to improve the quality of life in marginalized communities. However, donors, policymakers and American taxpayers still need deeper understanding of poverty and inequality in Latin America and the Caribbean or the effectiveness of bottom-up development, in which the organized poor take the initiative and do the work, as opposed to traditional top-down approaches. Producing new knowledge about how development works in the ever-changing context of the region today is a task that still requires the intellectual leadership for which the IAF was created.

**Contributing IAF programs:** Carefully chosen projects; publications and communications; Grassroots Development Fellowships; events organized and supported.

**Contributing external U.S. government programs:** These vary from year to year.

**Lead persons/positions:** Director, Office of External and Governmental Affairs, director of publications and fellowships, Office of External and Governmental Affairs; vice president, Office of Operations, (travel grants); Vice President for Programs and Foundation representatives.

**Strategy and key measures:** Through its annual report, website, journal Grassroots Development and other communications published in English, Spanish and Portuguese, the IAF's experiences and approach reach a diverse international audience. Carefully selected projects test and document new approaches to problems. IAF staff and grantee representatives further disseminate the IAF's experiences and its approach through conferences and speaking engagements in a range of venues. IAF Grassroots Development Fellowships support dissertation research on relevant topics by Ph.D. candidates in U.S. universities, contributing to the cadre of specialists and to exposure to the field of grassroots development as Fellows become professionals and assume leadership roles in both the public and private sectors.

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***High-Priority Goal Five: Build upon and enhance current efficiency measures.***

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- Continued telecommunications savings with the new GSA-FTS telecommunications agreement.
- Reduction of office rental footprint to secure long-term savings.

**Performance Measure 5.1:** Reduction in the portion of IAF's budget spent on program support.

## Analysis of Financial Statements and Stewardship Information

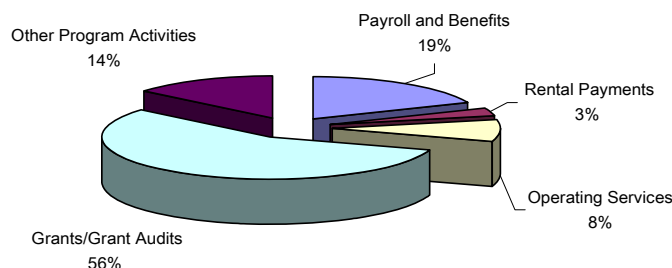
### Systems, Controls, and Legal Compliance

#### Net Cost of Core Functions

The activity reported in the Statement of Net Cost reflects the resources used by the IAF during FY 2011. Program costs of \$28,726,220 reflected a decrease of \$1,167,942 in FY2011 from the FY2010 amount of \$29,894,162.

Payroll and benefits in FY2011 decreased to \$5,127,733 from \$5,309,383 in FY2010 and program-related (not including grants/grant audits) activities in FY2011 decreased to \$3,803,395 from \$5,169,201 in FY2010.

FY11 NET COST OF CORE FUNCTIONS



#### Fund Balance with U.S. Treasury

Total resources available from the U.S. Treasury and other financing sources for FY2011 and FY2010 were \$37,258,513 and \$35,454,538 respectively. The difference of \$1,803,975 is due to an increase of SPTF collections and decreases in disbursements and grant advances.

#### Limitations on Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity.



# Inter-American Foundation

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*An Independent Agency of the U.S. Government*

November 8, 2011

## Letter from the Chief Financial Officer

The Inter-American Foundation (IAF) is a resourceful, agile, cost-effective agency efficient in its operations, innovative and effective in its grassroots development programs. The IAF learns from its experience, and uses the lessons learned to improve its own grant making decisions and to advance the knowledge and success of development practitioners, donors, and policy makers.

The IAF has significantly streamlined operations and lowered overhead by outsourcing key administrative and technical functions through its longstanding inter-agency franchise agreements with the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury and the National Business Center (NBC) of the U.S. Department of the Interior. BPD provides services related to procurement, accounting, the budget, travel and information technology (IT); NBC provides payroll and human resource services that include timekeeping and processing and reporting personnel actions as well as access to online applications such as the Federal Personnel and Payroll System (FPPS) and Employee Express. These arrangements produce a savings in full-time equivalencies (FTEs) and overhead as well as provide a depth of expertise that the IAF could not otherwise afford.

Auditors from the USAID Office of the Inspector General (OIG) completed the annual independent assessment of the security infrastructure supporting IAF's enterprise network system and agency compliance with the Federal Information Security Management Act. A positive final FISMA audit report was received from the OIG auditors in September 2011.

The IAF is supporting the Financial Management Line of Business (FMLOB) Initiative by using BPD's Oracle Federal Financials System and related accounting and procurement services and BPD has been reporting FMLOB metrics for IAF for the past two years. The Oracle platform provides real-time, user-friendly financial reports. The IAF continues to receive unqualified audits of its financial statements, internal controls over financial reporting, and its compliance with relevant federal laws and regulations.

In fiscal 2009, the IAF transitioned to General Services Administration's Federal Technology Service (GSA/FTS) Networx and WITS3 new government-wide telecommunications contracts. This resulted in a savings of 35 percent in expenditures for domestic and international telephone services in 2011.

The IAF, in conjunction with BPD, analyzed and evaluated its systems of management control and financial management under the Federal Managers' Financial Integrity Act (FMFIA) for the year ended September 30, 2011, according to the procedures and standards prescribed by the Office of Management and Budget (OMB) and the Government Accountability Office. Based on this evaluation we found that our systems of management controls provide reasonable assurance that: programs are free from waste, fraud and mismanagement; laws and regulations are followed; our continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and our performance information is reliable as defined in OMB Circular A-11, Section 232.10. We further found that the IAF's financial management systems, in conjunction with those of BPD, meet the Federal government's management system objectives of usefulness, timeliness, reliability and completeness, comparability and consistency, and efficiency and economy. As a result, we conclude that there is reasonable assurance that the Inter-American Foundation complies with Sections 2 and 4 of the FMFIA.

We have no open or new material weakness or nonconformance to report; we have not discovered any material weakness or nonconformance during fiscal year 2011; and we do not have any open reportable conditions or second tier issues. In addition, we have found that, for the year ended September 30, 2011, the Inter-American Foundation's administrative and fiscal accounting systems substantially comply with the requirements of the Federal Financial Management Improvement Act (FFMIA).

The financial statements and performance results data are complete, reliable and in accordance with OMB requirements and in conformity with generally accepted accounting principles. The IAF has appropriate management controls in place to ensure that all internal controls are operating in accordance with applicable policies and procedures and are effective in meeting the requirements imposed by the FMFIA and FFMIA.

Signed:

/s/

Linda B. Kolko  
Vice President for Operations and  
Chief Financial Officer



## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Inter-American Foundation  
Washington, D.C.

We have audited the accompanying balance sheet of the Inter-American Foundation (IAF) as of September 30, 2011 and 2010 and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of IAF's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IAF as of September 30, 2011 and 2010 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued our reports dated November 8, 2011 on our consideration of the IAF internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



This report is intended solely for the information and use of the management of the IAF, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Brown & Company*

Largo, Maryland  
November 8, 2011



**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

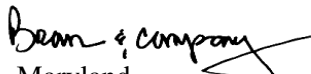
Inter-American Foundation  
Washington, D.C.

We have audited the financial statements of the Inter-American Foundation (IAF) as of and for the year ended September 30, 2011 and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the IAF's internal control over financial reporting by obtaining an understanding of the IAF's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04, as amended. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness or significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, as amended, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, 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. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

This report is intended solely for the information and use of the management of the IAF, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
Largo, Maryland  
November 8, 2011



**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH LAWS AND REGULATIONS**

Inter-American Foundation  
Washington, D.C.

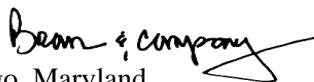
We have audited the financial statements of the Inter-American Foundation (IAF) as of and for the year ended September 30, 2011 and have issued our report thereon dated November 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the IAF is responsible for complying with laws and regulations applicable to the IAF. As part of obtaining reasonable assurance about whether the IAF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the IAF.

The results of our tests of compliance with laws and regulations disclosed no reportable instances of noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

This report is intended solely for the information and use of the management of the IAF, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

  
Largo, Maryland  
November 8, 2011

**INTER-AMERICAN FOUNDATION  
BALANCE SHEET  
AS OF SEPTEMBER 30, 2011 AND 2010  
(In Dollars)**

	2011	2010
<b>Assets:</b>		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 37,258,513	\$ 35,454,538
Advances and Prepayments (Note 3)	15,758	24,840
Total Intragovernmental	37,274,271	35,479,378
Advances and Prepayments (Note 3)	1,617,605	2,165,924
<b>Total Assets</b>	<b>\$ 38,891,876</b>	<b>\$ 37,645,302</b>
<b>Liabilities:</b>		
Intragovernmental		
Accounts Payable	\$ 261,762	\$ 46,093
Other (Note 6)	819,477	905,919
Total Intragovernmental	1,081,239	952,012
Accounts Payable	698,438	367,054
Other (Note 6)	642,021	589,746
<b>Total Liabilities</b>	<b>\$ 2,421,698</b>	<b>\$ 1,908,812</b>
<b>Net Position:</b>		
Unexpended Appropriations - Other Funds	22,258,454	22,921,207
Cumulative Results of Operations - Earmarked Funds (Note 14)	14,616,774	13,204,163
Cumulative Results of Operations - Other Funds	(405,050)	(388,880)
Total Net Position	\$ 36,470,178	\$ 35,736,490
<b>Total Liabilities and Net Position</b>	<b>\$ 38,891,876</b>	<b>\$ 37,645,302</b>

The accompanying notes are an integral part of these financial statements.

**INTER-AMERICAN FOUNDATION**  
**STATEMENT OF NET COST**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(In Dollars)**

	2011	2010
<b>Program Costs:</b>		
Foreign Grant Program: (Note 9)		
Gross Costs	\$ 28,826,034	\$ 29,894,162
Less: Earned Revenue	(99,814)	-
<b>Net Cost of Operations</b>	<b>\$ 28,726,220</b>	<b>\$ 29,894,162</b>

The accompanying notes are an integral part of these financial statements.

**INTER-AMERICAN FOUNDATION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**  
(In Dollars)

	2011	2011	2011	2010	2010	2010
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
<b>Cumulative Results of Operations:</b>						
Beginning Balances	\$ 13,204,163	\$ (388,880)	\$ 12,815,283	\$ 15,630,157	\$ (378,777)	\$ 15,251,380
<b>Budgetary Financing Sources:</b>						
Appropriations Used	-	22,320,354	22,320,354	-	22,456,370	22,456,370
Donations and Forfeitures of Cash and Cash Equivalents	5,450	-	5,450	2,000	-	2,000
Other	7,499,449	-	7,499,449	4,615,000	-	4,615,000
<b>Other Financing Sources (Non-Exchange):</b>						
Imputed Financing Sources (Note 10)	-	297,408	297,408	-	384,695	384,695
Total Financing Sources	7,504,899	22,617,762	30,122,661	4,617,000	22,841,065	27,458,065
Net Cost of Operations	(6,092,288)	(22,633,932)	(28,726,220)	(7,042,994)	(22,851,168)	(29,894,162)
Net Change	1,412,611	(16,170)	1,396,441	(2,425,994)	(10,103)	(2,436,097)
Cumulative Results of Operations	\$ 14,616,774	\$ (405,050)	\$ 14,211,724	\$ 13,204,163	\$ (388,880)	\$ 12,815,283
<b>Unexpended Appropriations:</b>						
Beginning Balances	\$ -	\$ 22,921,207	\$ 22,921,207	\$ -	\$ 22,609,925	\$ 22,609,925
<b>Budgetary Financing Sources:</b>						
Appropriations Received	-	22,499,000	22,499,000	-	23,000,000	23,000,000
Other Adjustments	-	(841,399)	(841,399)	-	(232,348)	(232,348)
Appropriations Used	-	(22,320,354)	(22,320,354)	-	(22,456,370)	(22,456,370)
Total Budgetary Financing Sources	-	(662,753)	(662,753)	-	311,282	311,282
Total Unexpended Appropriations	\$ -	\$ 22,258,454	\$ 22,258,454	\$ -	\$ 22,921,207	\$ 22,921,207
Net Position	\$ 14,616,774	\$ 21,853,404	\$ 36,470,178	\$ 13,204,163	\$ 22,532,327	\$ 35,736,490

The accompanying notes are an integral part of these financial statements.

**INTER-AMERICAN FOUNDATION**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010**  
(In Dollars)

	2011	2010
<b>Budgetary Resources:</b>		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 6,149,512	\$ 7,607,259
Recoveries of Prior Year Unpaid Obligations	1,347,883	1,396,805
Budget Authority		
Appropriation	22,499,000	23,000,000
Spending Authority From Offsetting Collections		
Earned		
Collected	7,604,713	4,617,000
Change In Unfilled Customer Orders		
Advance Received	(99,814)	850,000
Subtotal	30,003,899	28,467,000
Permanently Not Available	(841,399)	(232,348)
<b>Total Budgetary Resources</b>	<b>\$ 36,659,895</b>	<b>\$ 37,238,716</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 15)		
Direct	\$ 27,026,882	\$ 30,239,204
Reimbursable	850,000	850,000
Subtotal	27,876,882	31,089,204
Unobligated Balance		
Apportioned	276,480	153,675
Unobligated Balance Not Available	8,506,533	5,995,837
<b>Total Status of Budgetary Resources</b>	<b>\$ 36,659,895</b>	<b>\$ 37,238,716</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 29,305,026	\$ 29,991,127
Obligations Incurred Net	27,876,882	31,089,204
Gross Outlays	(27,358,525)	(30,378,500)
Recoveries of Prior Year Unpaid Obligations, Actual	(1,347,883)	(1,396,805)
	28,475,500	29,305,026
Obligated Balance, Net, End of Period		
Unpaid Obligations	28,475,500	29,305,026
<b>Total, Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 28,475,500</b>	<b>\$ 29,305,026</b>
<b>Net Outlays:</b>		
Gross Outlays	\$ 27,358,525	\$ 30,378,500
Offsetting Collections	(7,504,899)	(5,467,000)
<b>Net Outlays</b>	<b>\$ 19,853,626</b>	<b>\$ 24,911,500</b>

The accompanying notes are an integral part of these financial statements.



## **INTER-AMERICAN FOUNDATION NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Inter-American Foundation (IAF), a U.S. government corporation, was established pursuant to part IV of the Foreign Assistance Act of 1969 (22 U.S.C. 290f (a)). The IAF provides grants to support the initiatives of non-governmental and community-based organizations in Latin America and the Caribbean to implement their economic development and poverty reduction projects.

The management of the IAF is vested in a nine-person Board of Directors appointed by the President of the United States. Six Board members are drawn from the private sector and three from officers or employees of agencies of the U.S. Government concerned with Inter-American activities. The Board appoints the IAF's president who acts as the chief executive officer.

#### **B. Basis of Presentation**

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the IAF. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the IAF in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements*, and the IAF accounting policies which are summarized in this note. These statements, with the exception

of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the IAF's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

#### **C. Budgets and Budgetary Accounting**

Congress enacts appropriations to permit the IAF to incur obligations for authorized purposes. In fiscal years 2011 and 2010, the IAF was accountable for the Social Progress Trust Fund (SPTF), Gift Fund, and General Fund appropriations. The IAF recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants and transfers from the Inter-American Development Bank (IDB).

#### **D. Basis of Accounting**

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

#### **E. Revenues & Other Financing Sources**

The IAF's grant program is funded by appropriation from the budget of the United States, agreement with the Inter-American Development Bank covering the SPTF, and donations from the private sector. No-year appropriations remain available until expended, while multi-year appropriations are available for the period prescribed by the applicable statute. Appropriations are used,



within statutory limits, for programmatic, operating and capital expenditures for essential personal property. Appropriations are recognized as a financing source when expended. Appropriations expended for capitalized property and equipment are recognized as expense when an asset is consumed in operations.

The IAF has an agreement with the IDB to receive funds from the SPTF to finance part of the IAF's grant program. The IDB is an international financial organization established to promote the economic and social development of member countries. The United States' participation in IDB is authorized and governed by the Inter-American Development Bank Act (22 U.S.C. 283). Within IDB, the United States established the SPTF in 1961 and provided appropriations to SPTF through 1964. IDB was designated as the administrator for the SPTF and committed the original SPTF appropriations to loans. Repayments of these loans are recycled by the IDB in accordance with the original agreement and subsequent provision for additional loans, technical cooperation programs, and financing of the Inter-American Foundation program. Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating, capital and grant expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public.

Pursuant to a 1973 amendment to the Foreign Assistance Act of 1961, IDB provides funds to finance social development projects. These funds are made available in U.S. dollars upon request by the IAF, subject to denomination availability and exchange controls. In 2002, the SPTF agreement was amended to make available all remaining funds until exhausted.

The IAF recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on its behalf by the Office of Personnel Management (OPM).

## **F. Taxes**

The IAF, as a Federal entity, is not subject to Federal, State, or local income taxes, and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

## **G. Fund Balance with Treasury**

The U.S. Treasury processes cash receipts and disbursements. Funds with the Department of the Treasury primarily represent appropriated funds and SPTF collections that are available to pay agency liabilities and finance authorized purchases commitments and SPTF grants. The IAF does not maintain cash in commercial bank accounts or foreign currency balances. Foreign currency payments are made either by Treasury or the Department of State and are reported by the IAF in the U.S. dollar equivalents.

## **H. Accounts Receivable**

Accounts receivable consists of amounts owed to the IAF by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

## **I. Property, Equipment, and Software**

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs

are expensed as incurred. The IAF's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Office Furniture	10
ADP Equipment	3
Office Equipment	10
IT Software	3

#### **J. Advances and Prepaid Charges**

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

#### **K. Liabilities**

Liabilities represent the amount of monies or other resources likely to be paid by the IAF as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or SPTF funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

#### **L. Accounts Payable**

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services,

such as leases, utilities, telecommunications and consulting and support services.

#### **M. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

#### **N. Retirement Plans**

The IAF employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the IAF matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which the IAF automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS

participants, The IAF also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the IAF remits the employer's share of the required contribution.

The IAF recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the IAF for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The IAF recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The IAF does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

#### **O. Grant Disbursements and Administrative Expenses**

Grant disbursements include payments in advance of performance under contractual obligations. Evidence of performance is determined by review of periodic expenditure reports. All of the IAF expenditures for grants over \$35,000 are independently verified using the IAF's audit guidelines. The IAF's administrative expenses are funded solely by appropriated funds.

For three years prior to FY10, the IAF did not estimate grant advances. In FY09, the IAF began estimating grant advances by multiplying the grants disbursed during the

quarter by 50%. This estimate will be done each quarter to determine the amount of grant disbursements to be accounted for as grant advances in the Balance Sheet.

#### **P. Use of Estimates**

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

#### **Q. Imputed Costs/Financing Sources**

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The IAF recognized imputed costs and financing sources in fiscal years 2011 and 2010 to the extent directed by OMB.

#### **R. Expired Accounts and Canceled Authority**

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is canceled.

## NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2011 and 2010 were as follows:

	2011	2010
<b>Fund Balances:</b>		
Trust Funds	\$ 1,055	\$ 33
Social Progress Trust Funds (SPTF)	14,122,705	12,210,578
Appropriated Funds	23,134,753	23,243,927
<b>Total</b>	<b>\$ 37,258,513</b>	<b>\$ 35,454,538</b>

### Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 276,480	\$ 153,675
Unavailable	8,506,533	5,995,837
Obligated Balance Not Yet Disbursed	28,475,500	29,305,026
<b>Total</b>	<b>\$ 37,258,513</b>	<b>\$ 35,454,538</b>

**The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.**

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand (see also Note 8).

## NOTE 3. ADVANCES AND PREPAYMENTS

Other assets account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
Intragovernmental		
Advances and Prepayments	\$ 15,758	\$ 24,840
With the Public		
Grant Advances	\$ 1,617,605	\$ 2,165,924
<b>Total Other Assets</b>	<b>\$ 1,633,363</b>	<b>\$ 2,190,764</b>

#### NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2011

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
ADP Equipment	\$ 4,972	\$ 4,972	-
Office Furniture	33,106	33,106	-
<b>Total</b>	<b>\$ 38,078</b>	<b>\$ 38,078</b>	<b>\$ -</b>

Schedule of Property, Equipment, and Software as of September 30, 2010

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
ADP Equipment	\$ 22,502	\$ 22,502	\$ -
Office Furniture	36,895	36,895	-
<b>Total</b>	<b>\$ 59,397</b>	<b>\$ 59,397</b>	<b>\$ -</b>

#### NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the IAF as of September 30, 2011 and 2010 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2011	2010
Unfunded Leave	405,049	388,880
Total Liabilities Not Covered by Budgetary Resources	\$ 405,049	\$ 388,880
Total Liabilities Covered by Budgetary Resources	2,016,650	1,519,932
<b>Total Liabilities</b>	<b>\$ 2,421,699</b>	<b>\$ 1,908,812</b>

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

## NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Total
Intragovernmental		
Liability for Advances and Prepayments	\$ 750,185	\$ 750,185
Payroll Taxes Payable	69,292	69,292
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 819,477</b>	<b>\$ 819,477</b>
With the Public		
Accrued Funded Payroll and Leave	\$ 236,971	\$ 236,971
Unfunded Leave	405,050	405,050
<b>Total Public Other Liabilities</b>	<b>\$ 642,021</b>	<b>\$ 642,021</b>

Other liabilities account balances as of September 30, 2010 were as follows:

	Current	Total
Intragovernmental		
Liability for Advances and Prepayments	\$ 850,000	\$ 850,000
Payroll Taxes Payable	55,919	55,919
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 905,919</b>	<b>\$ 905,919</b>
With the Public		
Accrued Funded Payroll and Leave	\$ 200,866	\$ 200,866
Unfunded Leave	388,880	388,880
<b>Total Public Other Liabilities</b>	<b>\$ 589,746</b>	<b>\$ 589,746</b>

## NOTE 7. COMMITMENTS AND CONTINGENCIES

In the course of the agency's grant-making activities, the IAF has unliquidated grant obligations which, in the absence of violations or cancellations of the grant agreements, will require disbursements. Unliquidated grant obligations at September 30, 2011 and 2010 total approximately \$23,119,089 and \$24,178,691, respectively.

## NOTE 8. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2011 and 2010, undelivered orders amounted to \$28,842,399 and \$30,825,858 respectively.

## NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2011	2010
Foreign Grant Program		
Intragovernmental Costs	\$ 3,648,063	\$ 3,679,758
Public Costs	25,177,971	26,214,404
Total Program Costs	28,826,034	29,894,162
Total Intragovernmental Earned Revenue	(99,814)	-
<b>Total Net Cost</b>	<b>\$ 28,726,220</b>	<b>\$ 29,894,162</b>

## NOTE 10. IMPUTED FINANCING SOURCES

The IAF recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2011 and 2010, imputed financing was \$297,408 and \$384,695, respectively.

## NOTE 11. FINANCING SOURCES - SPTF

The Reconciliation of Net Cost of Operations to Budget Note reconciles the financial Net Cost of Operations with the Statement of Budgetary Resources. The IAF reports SPTF funds obtained from the IDB as offsetting collections earned. The IAF had no exchange revenue in fiscal year 2011 or 2010. For fiscal year 2011 and 2010, the IAF received \$7,499,449 and \$4,615,000 respectively, from the IDB, which was reported on its SF-133 as funds received from SPTF collections.

	2011	2010
SPTF Cumulative Results:		
SPTF Beginning Balance	\$ 13,204,130	\$ 15,630,157
SPTF Funds Received	7,499,449	4,615,000
SPTF Funds Expended	(6,087,860)	(7,041,027)
SPTF Fund Carry Forward	\$ 14,615,719	\$ 13,204,130
Donations Cumulative Results:		
Donations Beginning Balance	33	-
Donations Received	5,450	2,000
Donations Expended	(4,428)	(1,967)
Donations Carry Forward	\$ 1,055	\$ 33
Total SPTF and Donations	\$ 14,616,774	\$ 13,204,163
Cumulative Results of Operations – All Other Funds	(405,050)	(388,880)
<b>Total Cumulative Results of Operations</b>	<b>\$ 14,211,724</b>	<b>\$ 12,815,283</b>

## **NOTE 12. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT**

The President's Budget that will include FY11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

## **NOTE 13. LEASES**

### **Operating Leases**

The IAF occupies office space under a lease agreement that is accounted for as an operating lease. The current lease term began on May 1, 2002 and expires on April 30, 2012. Lease payments are increased annually based on the IAF's proportionate share of the building's operating expenses and real estate taxes. Operating expenses are increased based on an estimated CPI increase of 3% annually. The current agreement allowed the IAF an abatement credit in lieu of a build-out allowance, deducted from the monthly rent for the first 26 months of the lease. The total operating lease expense as of September 30, 2011 and 2010 were \$762,694 and \$695,825, respectively. With the end of the current lease on 4/30/12, the IAF has a new lease agreement in place. The new lease term will begin on May 1, 2012 and expire on April 30, 2017. The new agreement will allow the IAF an abatement credit in lieu of a build-out allowance, deducted from the monthly rent for the first 7 months of the lease.

Below is a schedule of future payments for the term of both leases.

<b>Fiscal Year</b>	<b>Office Space</b>
2012	\$ 435,565
2013	539,488
2014	623,096
2015	627,480
2016	631,996
2017	370,227
<b>Total Future Payments</b>	<b>\$ 3,227,852</b>

The operating lease amount does not include estimated payments for leases with annual renewal options.

## **NOTE 14. EARMARKED FUNDS**

The IAF has earmarked funds that fall into the following categories: Social Progress Trust Fund (SPTF) and Gift Fund. Both funds are used to finance part of the IAF's grant program and remain available until funds are exhausted.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.



Schedule of Earmarked Funds as of September 30, 2011:

	Social Progress Trust Fund	Gift Fund	Total Earmarked Funds
<b>Balance Sheet</b>			
Assets:			
Fund Balance with Treasury	\$ 14,122,705	\$ 1,055	\$ 14,123,760
Other Assets	493,014	-	493,014
<b>Total Assets</b>	<b>\$ 14,615,719</b>	<b>\$ 1,055</b>	<b>\$ 14,616,774</b>
Liabilities and Net Position:			
Cumulative Results of Operations	14,615,719	1,055	14,616,774
<b>Total Liabilities and Net Position</b>	<b>\$ 14,615,719</b>	<b>\$ 1,055</b>	<b>\$ 14,616,774</b>
<b>Statement of Net Cost</b>			
Program Costs	\$ 6,087,860	\$ 4,428	\$ 6,092,288
Less: Earned Revenues	(7,499,449)	(5,450)	(7,504,899)
<b>Net Cost of Operations</b>	<b>\$ (1,411,589)</b>	<b>\$ (1,022)</b>	<b>\$ (1,412,611)</b>
<b>Statement of Changes in Net Position</b>			
Net Position Beginning of Period	\$ 13,204,130	\$ 33	\$ 13,204,163
Net Cost of Operations	(1,411,589)	(1,022)	(1,412,611)
<b>Net Position End of Period</b>	<b>\$ 14,615,719</b>	<b>\$ 1,055</b>	<b>\$ 14,616,774</b>

Schedule of Earmarked Funds as of September 30, 2010:

	Social Progress Trust Fund	Gift Fund	Total Earmarked Funds
<b>Balance Sheet</b>			
Assets:			
Fund Balance with Treasury	\$ 12,210,578	\$ 33	\$ 12,210,611
Other Assets	993,552	-	993,552
<b>Total Assets</b>	<b>\$ 13,204,130</b>	<b>\$ 33</b>	<b>\$ 13,204,163</b>
Liabilities and Net Position:			
Cumulative Results of Operations	13,204,130	33	13,204,163
<b>Total Liabilities and Net Position</b>	<b>\$ 13,204,130</b>	<b>\$ 33</b>	<b>\$ 13,204,163</b>
<b>Statement of Net Cost</b>			
Program Costs	\$ 7,041,027	\$ 1,967	\$ 7,042,994
Less: Earned Revenues	(4,615,000)	(2,000)	(4,617,000)
<b>Net Cost of Operations</b>	<b>\$ 2,426,027</b>	<b>\$ (33)</b>	<b>\$ 2,425,994</b>
<b>Statement of Changes in Net Position</b>			
Net Position Beginning of Period	\$ 15,630,157	\$ -	\$ 15,630,157
Net Cost of Operations	2,426,027	(33)	2,425,994
<b>Net Position End of Period</b>	<b>\$ 13,204,130</b>	<b>\$ 33</b>	<b>\$ 13,204,163</b>

## NOTE 15. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of the following:

	2011	2010
Direct Obligations, Category A	\$ 8,469,378	\$ 8,695,723
Direct Obligations, Category B	18,557,504	21,543,481
Reimbursable Obligations, Category B	850,000	850,000
<b>Total Obligations Incurred</b>	<b>\$ 27,876,882</b>	<b>\$ 31,089,204</b>

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

## NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

IAF has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2011	2010
<b>Resources Used to Finance Activities</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 27,876,882	\$ 31,089,204
Spending Authority from Offsetting Collections and Recoveries	(8,852,782)	(6,863,805)
Obligations Net of Offsetting Collections and Recoveries	\$ 19,024,100	\$ 24,225,399
Other Resources		
Donations and Forfeitures of Property	\$ 5,450	\$ 2,000
Imputed Financing from Costs Absorbed by Others	297,408	384,695
Net Other Resources Used to Finance Activities	\$ 302,858	\$ 386,695
Total Resources Used to Finance Activities	\$ 19,326,958	\$ 24,612,094
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	9,383,093	5,272,021
Total Resources Used to Finance the Net Cost of Operations	\$ 28,710,051	\$ 29,884,115
Total Components of Net Cost of Operations That will not Require or Generate Resources in the Current Period	16,169	10,047
<b>Net Cost of Operations</b>	<b>\$ 28,726,220</b>	<b>\$ 29,894,162</b>