



# OFFICE OF INSPECTOR GENERAL

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## AUDIT OF INTER-AMERICAN FOUNDATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

AUDIT REPORT NO. 0-IAF-16-003-C  
NOVEMBER 16, 2015

WASHINGTON, D.C.



*Office of Inspector General*

November 16, 2015

Robert N. Kaplan  
President and CEO  
U.S. Inter-American Foundation  
1331 Pennsylvania Ave, NW, Suite 1200  
Washington, D.C. 20004

Dear Mr. Kaplan,

Enclosed is the final version of the audit report prepared by the certified public accounting firm of Brown & Company CPAs PLLC on the financial statements as of September 30, 2015, and 2014, of the U.S. Inter-American Foundation (IAF) (Report No. 0-IAF-16-003-C). OIG contracted with this independent auditor to audit the statements.

The audit objective was to determine whether IAF's financial statements presented fairly, in all material respects, IAF's financial position as of September 30, 2015, and its net cost, changes in net position, and budgetary resources for the year ended September 30, 2015, in accordance with accounting principles generally accepted in the United States. To answer the audit objective, the independent auditor expressed an unmodified opinion on IAF's fiscal years 2015 and 2014 financial statements and notes.

According to Brown & Company, this audit was conducted in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issued by the U.S. Comptroller General; and the Office of Management and Budget Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements." Brown & Company is responsible for the enclosed auditor's report and the conclusions expressed in it.

In carrying out our oversight responsibilities, OIG reviewed the report and related audit documentation to determine whether Brown & Company complied with applicable standards. Our review was different from an audit in accordance with those standards and was not intended to enable us to express, and we do not express, an opinion. Our review did not disclose any instances in which Brown and Company did not comply, in all material respects, with applicable standards.

The audit concluded that IAF has no material weaknesses or significant deficiencies in internal control over financial reporting and no instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements.

OIG appreciates the cooperation and courtesies extended to our staff and Brown & Company's employees during the engagement.

Sincerely,

Alvin A. Brown /s/  
Deputy Assistant Inspector General for Audit  
Office of Inspector General



IAF FY 2015  
PERFORMANCE ACCOUNTABILITY  
REPORT (PAR)



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## Section I: Agency Head Message



### Inter-American Foundation

An Independent Agency of the U.S. Government

**November 13, 2015**

The Honorable Shaun Donovan  
Director  
Office of Management and Budget (OMB)  
Eisenhower Executive Office Building  
1600 Pennsylvania Ave, N.W.  
Washington, D.C. 20502

Subject: Fiscal Year (FY) 2015 Performance Accountability Report (PAR)

Dear Director Donovan:

I am pleased to introduce the Inter-American Foundation's (IAF) Performance Accountability Report (PAR) for FY 2015. Enclosed in this report you will find key performance measures and accomplishments for FY 2015, as well as our financial results and Management Assurances in accordance with policies prescribed by the Office of Management and Budget (OMB) in Circular A-136, *Financial Reporting Requirements*.

The financial statements and performance data included in this report are complete, reliable and in accordance with OMB requirements and in conformity with generally accepted accounting principles. Moreover, 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 Federal Financial Management Improvement Act (FFMIA).

If you have any questions concerning this report, please contact Lesley Duncan, Chief Operating Officer, at (202) 688-3047, or Chris Wood, Budget/Finance Officer, at (202) 803-6098.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "R. Kaplan".

Robert N. Kaplan  
President and CEO

## EXECUTIVE OVERVIEW

Created in 1969, the IAF responds to innovative, participatory and sustainable self- help development projects proposed by grassroots groups and organizations in Latin America and the Caribbean. The IAF encourages partnerships among community organizations, businesses and local governments directed at improving the quality of life for poor people and strengthening their capacity to engage as citizens in their communities. To contribute to a better understanding of the development process, the IAF shares its experiences and the lessons it learns with its grantee partners.

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 about 40 employees based in Washington, D.C. The IAF is organized into six offices: (1) Office of the President and CEO; (2) Office of the General Council; (3) Office of Operations; (4) Office of External and Governmental Affairs; (5) Office of Networks and Strategic Initiatives; and, (6) Office of Grant-making and Portfolio Management as illustrated in the [Management Discussion and Analysis Section](#) (MD&A).

In Latin America and the Caribbean relatively positive macroeconomic performance of recent years has deteriorated and economic growth has stagnated in much of the region. Poverty, glaring inequality and social exclusion persist and, together with chronic violence and insecurity, 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 providing its specialized expertise, experience and programmatic focus on citizen-led community development so that poor and marginalized groups have an opportunity to contribute to and participate in local economic growth and engage in civic life. The IAF coordinates with and complements other U.S. government agencies and mobilizes local and international 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 poor communities, who demonstrate their ownership and responsibility towards improving their circumstances.

## IAF FY 2015 PAR

- It is results-oriented, investing modest grants to support projects that yield high returns, help communities manage risk, and strengthen the capacity of local groups to continue working after the IAF's support ends.
- It offers unparalleled grassroots experience, know-how and opportunity for effective collaboration at low cost through its vast network of relationships with Latin American civil society organizations and social entrepreneurs.
- It insists that communities show leadership and that they commit their own resources to ensure that projects are effective and sustainable. On average, they provide about \$136,000 for every \$100,000 contributed by the IAF.
- It complements other U.S. Government development efforts by strengthening local capacity and preparing communities to capitalize on opportunities.
- It is cost-effective 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.

Our Fiscal Year (FY) 2015 performance goals and results, with discussion, are summarized in the [MD&A](#) and [Performance Sections](#).

In 2015, the IAF invested in 63 new grants and 50 supplemental amendments to organizations in 20 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 citizens themselves to play a leading role. All IAF grantee partners 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 2015 totaled \$19.2 million, more than matching the IAF's investment of \$15.6 million.



## Section II: 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.*

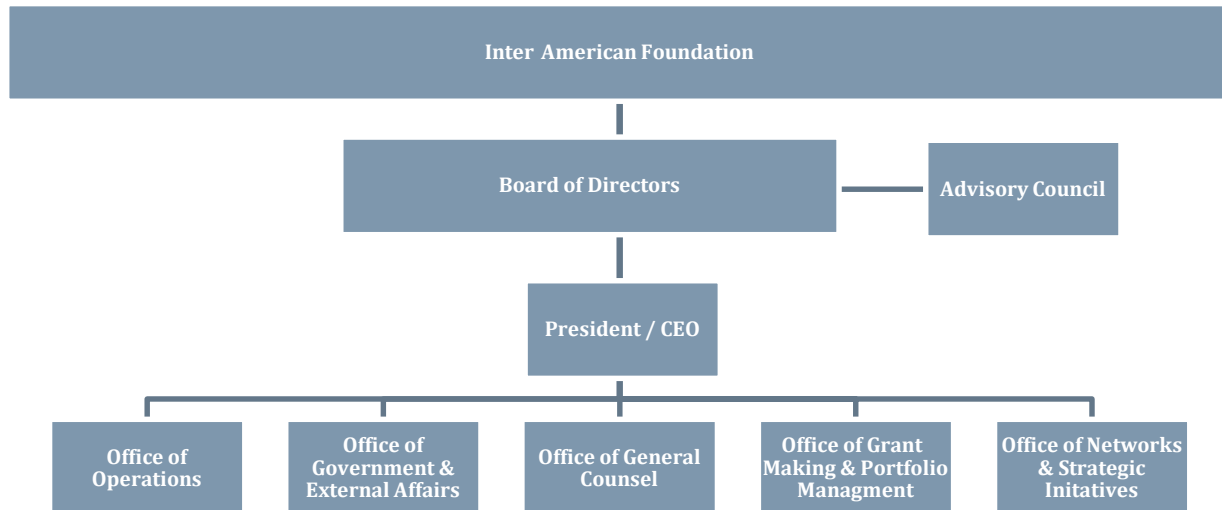
### MISSION

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 IAF's grantee partners and the communities they serve 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 Latin America and Caribbean region of thriving communities where people, working together, direct their own lives as individuals and citizens. 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 effective 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. By disseminating the lessons of its investment to other donors, to policymakers and to American taxpayers, the IAF can continue to contribute to a better understanding of the importance and effectiveness of citizen-led community development in which the organized poor play a leading role.

### ORGANIZATIONAL STRUCTURE

For FY 2016, the IAF integrated the responsibility for the Office of Evaluations into the Office of Networks and Strategic Initiatives to ensure closer operational coordination between the program and evaluation functions. The IAF's new organizational structure for FY 2016 reflecting this change is illustrated on the next page.



## BENEFITS OF THE IAF APPROACH

### IAF Serves U.S. Overseas Interests

Inter-American Foundation (IAF) investments in Latin America and the Caribbean serve U.S. interests by:

- **Creating economic opportunity.** IAF investments catalyze economic activity and create jobs for the poor. The local economic impact is multiplied when grant resources are spent in the communities themselves.
- **Fostering secure communities.** IAF investments strengthen the local social fabric of civil society organizations to create a safe environment that is intolerant of criminal activity.
- **Strengthening democratic practices.** IAF grantee partners are building a more democratic citizenry and a more inclusive civil society by exercising their civic responsibilities, respecting rights and holding officials accountable.
- **Addressing root causes of migration.** IAF is working to address the root causes of migration, particularly in Central America and Mexico as part of the Administration's Central America

strategy. IAF has shifted its resources toward Central America and Mexico, which comprised 47 percent of funding commitments in FY 2015<sup>1</sup>.

- **Providing a direct link to civil society.** Having worked with more than 5,000 grantee partners, IAF's credibility and contacts among civil society groups across the region are a valuable resource for the U.S. government and other development organizations.
- **Acting with flexibility and agility.** IAF funding can be rapidly adapted to address changing contexts on the ground or to take advantage of emerging opportunities.
- **Maintaining a U.S. presence.** IAF does not operate through foreign governments. Due to its direct funding to communities, it is often able to continue working in countries where diplomatic relations with the United States are strained.

### IAF Complements Other U.S. Government (USG) Development Efforts

IAF's direct connection to civil society, broad networks, nuanced knowledge of local contexts and specialized expertise directly complement other U.S. development efforts by:

- **Strengthening local capacity to sustain development efforts.** IAF identifies and supports promising ideas introduced by grassroots groups. Investing in their knowledge, skills, ingenuity, organizational strength and operational capacity improves their ability to sustain their own efforts.
- **Preparing communities to capitalize on opportunities.** IAF's investments help disadvantaged groups take part in economic opportunities created by large investments in infrastructure or other development programs.
- **Creating new USG partners.** Community-based groups and enterprises that improve their organization, management and operations with IAF's help are better prepared to become new partners in other U.S. government and business initiatives.
- **Providing direct access to civil society.** IAF's relationship with partner organizations is direct, fluid and dynamic throughout the period of the grant and beyond. This approach has earned IAF legitimacy and trust from civil society groups, increasing the chances of grantees' success and establishing relationships that can benefit other USG stakeholders.

### IAF Provides a Cost-Effective Approach

IAF delivers development assistance that is smart and highly cost-effective by focusing on the following:

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<sup>1</sup> See page 11 for a detailed breakout of funding actions by Region.

## IAF FY 2015 PAR

- **Value.** IAF selectively funds 10-15 percent of the proposals it receives, and 100 percent of its grant budget is invested in the field. IAF works to keep overhead low, including by outsourcing many administrative and technical functions.
- **Leverage.** IAF multiplies the impact of its grants and maximizes returns by requiring all of its grantee partners to invest their own resources. Over the last five years, each dollar invested by IAF leveraged \$1.36 from grantees or others.
- **Private-sector partnerships.** IAF actively collaborates with the private sector in joint funding initiatives, including with members of IAF-initiated Latin American business-sector alliance, RedEAmérica, helping parent corporations move beyond philanthropic giving toward a more commercially integrated and sustainable approach.
- **Accountability and results.** IAF holds all grantee partners accountable for the responsible use of U.S. public funds and successful implementation of their projects through regular financial audits and required progress reporting at six-month intervals. IAF's rigorous evaluation methodology includes independently verifying the data reported.

### IAF Focuses on the Inclusion of Marginalized Groups

IAF puts a priority on the inclusion of the region's most disadvantaged citizens—including African descendants, indigenous peoples, women, children and young people, and persons with disabilities—in the economic advances and civic life of their country. Specifically IAF:

- Helps build the capacity of **indigenous people** to take full advantage of economic opportunities while preserving social and cultural heritage.
- Supports **African descendent communities** concentrated in the poorest areas in Latin American and the Caribbean with at least 20 percent of grants serving these communities.
- Invests in opportunities for **women** to acquire skills that can create income for their households and enable them to take part in the planning and leadership of development and business ventures alongside men.
- Creates opportunities to access training, education and job/business experience for **young people** of working age that better prepare them for the future as productive citizens.

### PERFORMANCE GOALS AND RESULTS HIGHLIGHTS

The IAF met or exceeded 12 of its 19 performance measures in FY 2015 and met *all* of its strategic goals as defined in the [Performance Section](#). The goals and performance measures encapsulate and quantify IAF's mission, and long-term strategic planning.

## IAF FY 2015 PAR

The Performance Section includes a detailed analysis of historical performance trends, strategies used to achieve performance goals, as well as an explanation of plans and timelines to improve performance where targets were not met.

Of significance in FY 2015, the IAF was able to:

- Produced an exceptional crop of 113 new funding actions closely aligned with Presidential Priorities including 75 grants that directly fund traditionally marginalized groups including Afro-descendants, indigenous people, women, and youth.
- Funded over \$15.6 million in grants that support the coordinated efforts of the poor to improve their material circumstances, strengthen their organizations, and enhance the social and economic environment for community led development.
- Increased the number of funding actions by 6 percent without an increase in appropriation.
- Promoted the social inclusion and civic participation of traditionally marginalized groups by increasing the percentage of funding actions for these groups from 62 to 75 percent.
- Secured over \$19.2 million in matching in-kind and cash resources contributed and mobilized by grantees.
- Increased focus on Central America and Mexico in response to Presidential priority: 47 percent of the year's funding actions, up from 36 percent in FY14.

The IAF has had several challenges that have impeded our efforts in recent years to generate more useful evidence to inform program decision and generate useful knowledge for the field of community development. Many of the challenges revolve around the ability to harness, organize, and analyze data effectively to better inform our grant-making ability and partner networks grassroots efforts.

In response, IAF management took action in FY 2015, by incorporating the Evaluation Office into the Office of Networks and Strategic Initiatives to ensure closer operational coordination between program and evaluation functions, and by procuring and developing a new state-of-the-art grants management system that will enable IAF staff and partners to have easy and useful access to the full range of agency grant data. These two changes will greatly facilitate the development and exploration of more sophisticated hypotheses about the determinants of project success and failure for grantees by increasing the reliability and relevance of the data gathered.

### COST EFFECTIVENESS AND LOOKING FORWARD

The relatively small dollar investments made by the Inter-American Foundation in Latin America and the Caribbean have deep and far-reaching ripples throughout the region. By thoughtfully

deploying a small but effective staff of less than 40 FTEs, IAF provides an important specialized tool to advance key presidential initiatives and foreign policy goals in Latin America and the Caribbean.

Looking forward, IAF is committed to the task of broadening our resource base beyond the congressional appropriation and SPTF disbursements, especially in light of declining SPTF collections. We have been careful to keep our overhead rates stable, efficiently using our resources to ensure that a high and growing percentage of funds support program activities in the field. Moreover, the agency has taken steps to bolster agency efforts to help aggressively engage the private business and philanthropic sectors by moving to hire a full-time donor engagement coordinator and exploring ways to increase the flexibility of its current legislative authority in order to further facilitate receipt of gifts.

The Agency has also recently focused greater effort on a handful of critical programmatic priorities closely aligned with Presidential Priorities, including the identification and launch of three new strategic thematic initiatives as follows:

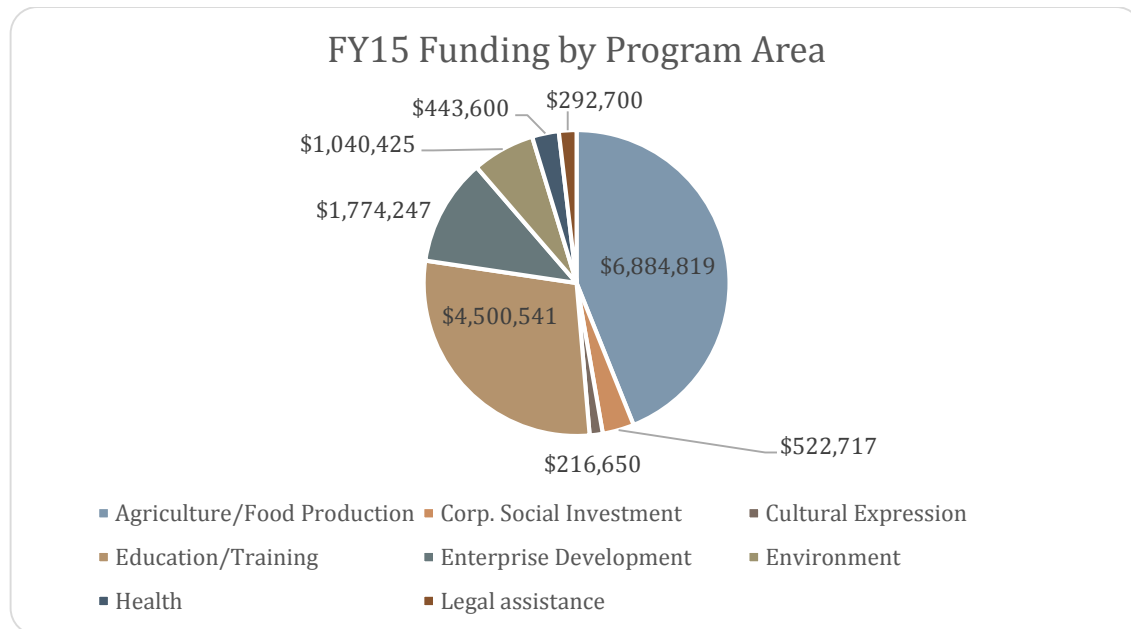
- Sustainable Smallholder Agriculture: cultivating the grassroots production dimension of Feed the Future
- Social and Economic Inclusion: focusing strategically on empowering organizations representing traditionally excluded populations (e.g., indigenous groups, women, Afro-descendants, people with disabilities, LGBTI groups)
- Community Asset Mobilization: working with community foundation, corporate foundations, special purpose funds, diaspora organizations, and projects designed to leverage public funding – all designed to enhance grassroots organizations’ access to funding sources within the region.

The agency also continues to participate in inter-agency initiatives and increase its investment in Central America and a limited number of other to priority countries, while maintaining a strategic presence across the region.

# IAF FY 2015 PAR

## GRANT FUNDING BY PRIMARY PROGRAM AREA AND REGION

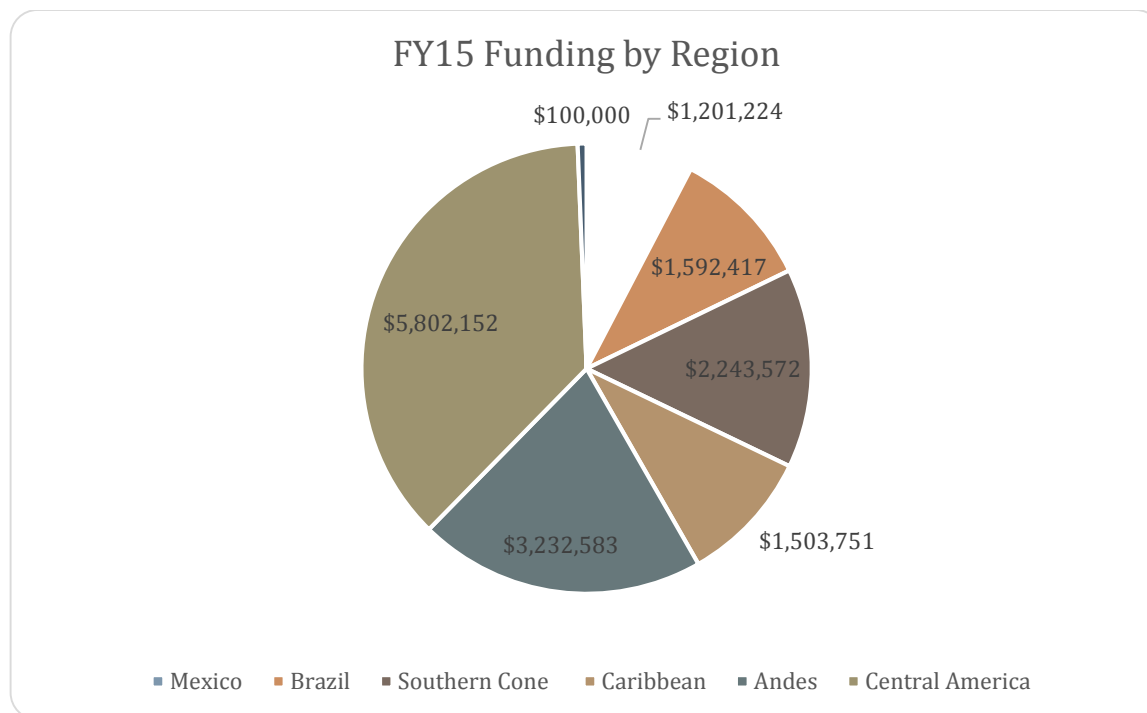
The pie charts and tables below provide an illustrative analysis of grant funding by primary program area and region for FY 2015.



## FY15 FUNDING BY PROGRAM AREA

PRIMARY PROGRAM AREA	FY15 FUNDING	
	Funding (\$)	Percentage of Funding
<b>Agriculture / Food Production</b>	\$6,884,819	43.92%
<b>Corporate Social Investment</b>	\$522,717	3.33%
<b>Cultural Expression</b>	\$216,650	1.38%
<b>Education / Training</b>	\$4,500,541	28.71%
<b>Enterprise Development</b>	\$1,774,247	11.32%
<b>Environment</b>	\$1,040,425	6.64%
<b>Health</b>	\$443,600	2.83%
<b>Legal Assistance</b>	\$292,700	1.87%
<b>TOTAL</b>	\$15,675,699	100%

# IAF FY 2015 PAR



## FY15 FUNDING BY REGION

REGION	FY 2015		ACTIVE GRANTS	
	Funds \$	Number of Funding Actions	Funds \$	Number of Active Grants
<b>Mexico</b>	\$ 1,201,224	9	\$5,519,867	26
<b>Brazil</b>	\$ 1,592,417	11	\$8,137,331	33
<b>Southern Cone</b>	\$ 2,243,572	15	\$9,323,579	31
<b>Caribbean</b>	\$ 1,503,751	12	\$6,615,856	25
<b>Andes</b>	\$ 3,232,583	20	\$17,352,584	66
<b>Central America</b>	\$ 5,802,152	44	\$20,906,323	91
<b>Multi-Country</b>	\$ 100,000	2	\$2,671,857	10
<b>Total:</b>	\$ 15,675,699	113	\$70,527,397	282



# IAF FY 2015 PAR

## ANALYSIS OF FINANCIAL STATEMENTS AND STEWARDSHIP INFORMATION

### Fund Balance with U.S. Treasury

Fund balance with U.S. Treasury is the aggregate amount of the IAF's appropriated funds and SPTF collects that are available to pay agency liabilities and finance authorized purchases, commitments, and SPTF grants. The IAF's fund balance with Treasury decreased from \$36.4 million in FY 2014 to \$36.0 million in FY 2015 due primarily to declining SPTF receipts.

### Balance Sheet

The balance sheet summarizes the IAF's Assets, Liabilities and Net Position in FY 2014 and FY 2015 as of September 30th. The Notes referenced in the table are explained in more detail in the [Financial Section](#).

#### IAF BALANCE SHEET AS OF SEPTEMBER 30 2015 & 2014 (IN DOLLARS)

<b>Assets</b>	2015	2014
<b>Intra-governmental</b>		
Fund Balance with Treasury (Note 2)	36,067,118	36,415,538
Other (Note 3)	31,018	32,280
<b>Total Intra-governmental</b>	<b>36,098,136</b>	<b>36,447,818</b>
Other (Note 3)	1,595,962	1,765,985
<b>TOTAL ASSETS</b>	<b>37,694,098</b>	<b>38,213,803</b>
<b>Liabilities</b>		
<b>Intra-governmental</b>		
Accounts Payable	33,762	160,285
Other (Note 5)	114,904	185,578
<b>Total Intra-governmental</b>	<b>148,666</b>	<b>345,863</b>
Accounts Payable	318,123	643,130
Other (Note 5)	872,964	433,953
<b>TOTAL LIABILITIES (Note 4)</b>	<b>1,339,753</b>	<b>1,422,946</b>
<b>Net Position</b>		
Unexpected Appropriations –other funds	21,166,221	21,148,566
Cumulative Results of Operations – funds from dedicated collections	15,569,714	15,974,774
Cumulative Results of Operations - other funds	(381,590)	(332,483)
<b>Total Net Position</b>	<b>36,354,345</b>	<b>36,790,857</b>
<b>TOTAL LIABILITES AND NET POSITION</b>	<b>37,694,098</b>	<b>38,213,803</b>

# IAF FY 2015 PAR

## IAF Funding Sources and Collections

The table below provides a breakout of funding sources for the IAF in FY 2014 and FY 2015 including collections. A description of each source of funds is footnoted below for reference.

FUNDING SOURCES		
SOURCES OF FUNDS	FY 2014 ACTUALS	FY 2015 ACTUALS
Current Year Appropriated Funds <sup>2</sup>	22,500,000	22,500,000
Carryover Appropriated Funds from Prior Year <sup>3</sup>	494,304	644,765
Recoveries Appropriated Funds <sup>4</sup>	1,093,185	1,029,602
Social Progress Trust Fund (SPTF) <sup>5</sup>	6,439,901	6,140,564
Inter-Agency Reimbursements <sup>6</sup>	100,000	-
Gift Funds <sup>7</sup>	177,317	125,350
<b>Total Obligation Authority</b>	<b>30,805,319</b>	<b>30,440,281</b>

<sup>2</sup> Appropriated funds are based on the IAF's warrant received from Congress.

<sup>3</sup> Carryover and recoveries are based on the IAF's SF-133s at the time the data is requested. For the PAR, the data is as of 9/30/15.

<sup>4</sup> *Ibid.*

<sup>5</sup> This is based on the prior FY non-federal trial balance collections plus current FY recoveries as reported and tracked in the IAF budget.

<sup>6</sup> Represents the actual amount advanced by the Department of State to the IAF in FY 2014 per the "APSIE" Inter-Agency Agreement between the two agencies.

<sup>7</sup> Represents all gifts collected in FY 2014 and FY 2015. Of note, the IAF received in \$100,000 from the MOTT Foundation on September 30, 2014 that the donor intended for FY 2015 and thus has been budgeted and reported as such.

# IAF FY 2015 PAR

## INTERNAL CONTROLS AND LEGAL COMPLIANCE

### ANNUAL ASSURANCE STATEMENT

The Inter-American Foundation (IAF) management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). IAF uses the Oracle Federal Financial System hosted by the Administrative Resource Center (ARC) within Treasury's Fiscal Service. Therefore, our assertion of assurance is based on the administrative controls within IAF as well as the Statement on Standards for Attestation Engagements (SSAE) 16 Report on ARC/FS Oracle Federal Financial System and related complementary controls in place at ARC.

The IAF management is additionally responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with all applicable laws and regulations. IAF assesses the effectiveness of its own internal controls and relies on the Treasury Fiscal Service's internal assessment of its internal controls at ARC. Based on the results of IAF's own internal assessments and our review of our service provider assessment results, IAF provides unqualified assurance that internal controls over financial reporting as of September 30, 2015 are operating effectively; no material weaknesses have been found in the design or operation of the internal controls over financial reporting.

Robert N. Kaplan  
President and CEO  
Inter-American Foundation  
November 13, 2015

## Section III: Performance Section

This section provides information on the IAF's progress achieving the goals and objectives set for FY 2015 as described in our Strategic and Annual Performance Plans, and how those goals benefit the public at-large.

### **FY 2015 STRATEGIC GOALS AND SUPPORTING PERFORMANCE MEASURES**

*Strategic Goal One: Support the coordinated efforts of the poor to improve their material circumstances, strengthen their organizations, and enhance the social and economic environment for community-led development.*

#### **Problem/Need/Challenge Addressed**

Thriving communities depend on their citizens' capacity to engage each other in public and private association and to shape and respond to economic and social opportunities. IAF promotes grassroots development through initiatives conceived, led and implemented by community-based organizations of the poor and closely-linked support organizations, often nongovernmental organizations (NGOs). Communities that have the capacity to take the lead in thinking and working through their own development challenges form the democratic foundation that is the region's best hope for lasting peace, security, and economic progress.

By supporting these efforts of the organized poor, the IAF materially advances U.S. strategic interests in the region. By being careful to base our investments on evidence about what works in grassroots projects, we are adding to an empirically grounded body of knowledge about how to address these challenges more effectively.

#### **Strategy and Key Performance Measures**

The IAF identifies and supports the best ideas for improving standards of living and enhancing civic participation in democratic processes and institutions. Significantly, these ideas come from the communities themselves, and local civil society organizations supporting these communities. We also seek promising new ways to generate knowledge and transformative results for our partner organizations and their communities. We continually sharpen our funding criteria to implement this strategy and align our evaluation system with our evolving needs.

# IAF FY 2015 PAR

IAF helps improve the material conditions and associative capacity of communities by supporting projects in a diverse array of thematic areas: income generation; small business development; community-based natural resource management; water supply and sanitation; sustainable agricultural development; improved access to domestic and foreign markets; enhanced public security and community resilience in contexts of chronic violence; improved housing and nutrition; cultural expression and identity; collaborative linkages between rural and urban communities; and others.

Before funding begins, all IAF-supported organizations identify specific indicators that are measured periodically —usually twice a year — to provide empirical evidence of results generated. In addition, the IAF offers its partners support for mid-course learning activities to enable partners to reflect on the progress of their initiatives and identify and respond to challenges and opportunities not evident before the projects began. The IAF conducts ex-post evaluations of a subset of its projects, revisiting the participating communities five years after project completion, to assess evidence of long-term impacts.

Finally, IAF is engaging with funding partners — public and private and in the United States and abroad— to channel greater and more sustainable flows of financial support to strong projects throughout the region.

## Performance Measure Results and Discussion

Performance Measure 1.1: Funding actions in the fiscal year that enhance communities' capacities to design and execute development projects and materially improve the quality of life of beneficiaries, as evidenced by measurable indicators					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of funding actions	98	107	113	110	110
<p><i>IAF receives an average of 600 proposals each year and completed 113 funding actions in FY 2015. Those actions were comprised of 63 new grants and 50 supplemental funding actions to grassroots and nongovernmental organizations that showed great promise in reaching and expanding on their objectives. This output exceeds our FY15 goal by six percent.</i></p>					

# IAF FY 2015 PAR

Performance Measure 1.2: Percentage of projects ending in the prior fiscal year that met or exceeded outcome goals specified for each project					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Percentage of projects that met outcome goals.	75%	80%	76%	80%	80%
<p><i>Of the 45 projects that reported and whose funding ended in FY 2014, 76 percent (34 of 45) met or exceeded the goals specified for each project. Those who did not meet the planned goals reported reasons such as staff turnover, conflicts, and poor coordination and collaboration with partners.</i></p>					
Performance Measure 1.3: Specific accomplishments reported by grantee partners active in the fiscal year, evidenced by measurable indicators, that improved the quality of beneficiaries' lives, changed the social and economic contexts in which they act, or enhanced their communities' capacity to take the lead in their own development					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of beneficiaries trained, jobs created/saved, individuals with improved health, and partnerships developed.	342,000	430,806	286,966	300,000	300,000
<p><i>Of 327 active grantee partners in FY2015, the 260 grantee partners reported specific accomplishments as follow:</i></p> <ul style="list-style-type: none"> <li>• 286,966 individuals benefited from project activities during FY15 less than the goal of 300,000.</li> <li>• 53 percent of the 286,966 individuals benefited were women.</li> <li>• 37 percent of the 260 projects directly benefited indigenous people.</li> <li>• 22 percent of the 260 projects directly benefited individuals of African descent.</li> <li>• Grantee partners collaborated with 2,995 new partners.</li> <li>• Mobilized and brokered \$6.85 million beyond the counterpart funds committed.</li> <li>• At least 41 percent of grantee partners shared project activities with others.</li> </ul>					

# IAF FY 2015 PAR

*Strategic Goal Two: Promote the social inclusion and civic participation of traditionally marginalized groups*

## Problem/Need/Challenge Addressed

Members of traditionally marginalized groups – including women, African descendants, indigenous peoples, and people with disabilities – are disproportionately represented among the poor in Latin America and the Caribbean. They, as well as people with LGBT identify, are also most likely to be excluded from the civic life of their communities.

IAF focuses on funding grants for projects, support for exchanges, interaction among partner communities and organizations, and investment in producing new knowledge around what works best in promoting greater and more effective participation of traditionally marginalized groups.

## Strategy and Key Performance Measures

The IAF makes a deliberate effort to identify and work with communities of traditionally marginalized groups and with the associations and networks that represent their interests. Special outreach helps bring new ideas from these groups into our program pipeline. The IAF also supports conferences, exchanges, collaborative analytical efforts and other measures to help these communities network and learn from each other.

## Performance Measure Results and Discussion

Performance Measure 2.1: Funding actions in the fiscal year that enhance the opportunities for traditionally marginalized groups to become effective actors in the design and execution of projects that improve their quality of life and their participation in the development process					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of grants funded to traditionally marginalized groups	70	62	78	75	75
<i>IAF exceeded the goal for FY 2015 for funding actions that enhance opportunities for marginalized groups. IAF has a rich history of supporting marginalized and disenfranchised groups. Of note in FY 2015, almost 70 percent of funding actions went to projects that directly focus on the inclusion of Afro-descendants (10), Indigenous people (26), Women (30) and Youth groups (12).</i>					

## IAF FY 2015 PAR

Performance Measure 2.2: Events, exchanges and other knowledge-generation efforts to enhance the participation of traditionally marginalized groups in the development process and contribute to what is known about how these groups can most effectively take action to improve their quality of life					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of events with traditionally marginalized groups	32	37	32	35	40
<p><i>IAF sponsored participation in numerous events, exchanges, and other efforts that enhanced the participation of traditionally marginalized groups in the development process. IAF sponsored 32 such events in FY 2015 meeting our goal. Some illustrative examples of FY 2015 events include bringing together indigenous, women-led and youth led organizations for a three-day conference on sustainable agriculture practices (Ecovida); organizing two technical training exchanges on social protections projects addressing social and economic inclusion (IASPN); and sponsoring six members of a 20-person delegation to participate in the Inter-American forum of LGBTI and Afro-Descendants Activities under the auspices of the International Institute of Race, Equality and Human Rights (OAS).</i></p>					
Performance Measure 2.3: Specific accomplishments, reported by project partners active in the fiscal year, evidenced by measurable indicators that improved the quality of life of traditionally marginalized groups and their opportunities to participate in the development process					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of beneficiaries trained, jobs created/saved, individuals with improved health, and partnerships developed.	56,282	75,800	48,205	50,000	50,000
<p><i>The 210 IAF grantee partners (64% of the 327 active grants) working with traditionally marginalized groups in FY 2015 have reported 48,205 additional individuals acquiring knowledge and skill via training that led to better health, new jobs and other benefits; and, more than 12,740 individuals enjoyed improved health. This FY 2015 outcome is reduced from previous years' results because the IAF updated its methodology in FY2015 to report only unique individuals impacted. To reflect this methodological change, the IAF reduced its goals for FY 2016 and FY 2017 to 50,000.</i></p>					

**Strategic Goal Three: Make knowledge-generation and knowledge-management an integral part of our work, informing new approaches for smarter investments by the IAF and others.**

### Problem/Need/Challenge Addressed

The economic, social, political and technological contexts in which our community-based partners live and work are changing at unprecedented speed. Consequently, the need for careful, continuous attention to the generation, analysis, distribution and application of new knowledge and data about citizen-led development is more important now than ever before.



The IAF was created to be agile and innovative, helping to identify, test, and reflect upon changing opportunities for citizen-led development. As part of every funding action, we will define what we hope to learn, why those lessons are important, and what evidence we will capture and use to produce new knowledge about the development process. In this more rigorously empirical approach to our grant making, every funding action will explore a hypothesis about what works, what doesn't work and why.

### **Strategy and Key Performance Measures**

The IAF's core strategy for knowledge-generation is to ensure that each funding action has a knowledge-generation strategy and component embedded in its design, to support real-time reflection during project implementation on what works and why. Additional support for learning enhancement measures enables grantee partners to examine issues and lessons that become apparent in the course of project implementation.

Our Grassroots Development Framework uses a well-established system of performance indicators and frequent visits by contracted data verifiers to collect evidence throughout each project on progress toward results. This effort is summarized in a project history at the end of each grant and by a program of ex-post evaluations of a subset of projects five or more years after completion to assess the long-term impact and sustainability of our investment.

A complementary strategy relies on the extraordinary capacity of our grantee partners to teach and learn from each other — the best teacher for a farmer is a similarly-situated farmer who has been successful. The IAF invests considerable resources in meetings, exchanges, workshops and other events that enable our partners to share what they are learning about citizen-led development. This is a particularly cost-effective method for rapidly disseminating new knowledge on Next/Best Practices. By supporting these efforts the IAF multiplies its development impact far beyond the limited capacity of direct intervention.

Another complementary strategy is the IAF's Grassroots Development Fellowships support of cutting-edge field research by Ph.D. candidates in U.S. universities, contributing to the cadre of specialists in development and increasing exposure to grassroots development as they become professionals and assume leadership roles throughout the region.

Finally, the IAF is engaged in an ongoing series of discussions with other thought-leaders in the areas of citizen-led development and the related field of asset-based community development (ABCD). In FY 2015, we participated in a series of focused interactions with the Kettering Foundation, the Coady International Institute, and the ABCD Institute at Northwestern University.

# IAF FY 2015 PAR

This working collaboration focuses on rethinking the logic of how communities thrive. In FY 2016, we will expand engagement with corresponding Latin American thought-partners in this effort.

## Performance Measure Results and Discussion

Performance Measure 3.1: Funding actions, events, conferences, exchanges, and other efforts that directly enhance the opportunities for generating and disseminating new knowledge about development and for promoting interactive learning among IAF partners in the region and other development actors and thought leaders					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of grants, supplemental grants, and travel grants that supported events, conferences, exchanges, and other interactions among partners that generate or disseminate information.	69	76	76	80	80
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of supported participants in activities that directly enhance information dissemination.	221	273	621	400	500
<p><i>Support for peer-to-peer learning is a critically important strategy in IAF's program--one that we are building into most of our project agreements. IAF funded 76 grants (including travel grants) and supported 621 participants in FY 2015 exceeding the participation goal by over 200 percent due to an increased and deliberate effort to connect and network in FY15 more than in previous FYs. Goals for FY2016 have been increased from 320 and 340, to 400 and 500 for FY 2016 and FY 2017, respectively, to reflect the increased effort and successes fielded in FY 2015.</i></p>					
Performance Measure 3.2: Publications and other media products, including ex-post assessments of IAF grants, that effectively distribute to strategically targeted audiences new knowledge about citizen-led development					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of publications and other media products on citizen-led development.	37	50	50	50	60
<p><i>The IAF met its goal for number of publications in FY 2015. IAF's website continues to be the principal distribution mechanism for the information contained in IAF publications. A small number of publications in print were provided to select audiences including private sector partners, congressional audiences and active grantees.</i></p>					

# IAF FY 2015 PAR

*Publication strategy continues to prioritize digital channels both for communication and cost-effectiveness reasons. This has included multi-media efforts and development of an online blog launched in June of 2015. Blog postings to date have included topics such as organic certification, smallholder agriculture and IAF's grassroots development model.*

*Over the last few years, IAF has been returning to the site of projects for which funding ended about five years earlier to meet with former grantee partners and assess what has happened since. Based on these visits and a review of all previously collected data, IAF's evaluation office prepares in-depth reports and executive summaries which are shared on the website. There are currently 21 ex-post assessments available to the public through the IAF's website.*

### Performance Measure 3.3: Funded research and knowledge-generation activities, including fellowships in support of doctoral research that adds to the body of knowledge related to citizen-led development

	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of fellowships for research that support citizen-led development.	16	16	14	15	12
Number of grants and supplemental grants that support research, study, analysis, or knowledge products related to citizen-led development.	45	43	46	46	50

*In FY 2015, the IAF funded 46 grants that support research, study, analysis, or knowledge products related to citizen-led development meeting our goal. The development of new knowledge products is an increasingly important priority for IAF's program. Some examples of work supported in FY 2015:*

- The Coady International Institute will work with IAF to design and coordinate a collaborative project for exploring key issues in citizen-led development, which will involve Latin American researchers and practitioners. This effort will produce four case studies, an online platform to facilitate communication among participants, and a proposal for an ongoing collaboration.*
- In FY 2015 IAF funded three new and/or supplemental grants that continue our applied research in Chronic Violence and resilient communities. See the Grant Highlights section for additional information.*
- In FY 2015 IAF conducted an ex-post assessment of eight projects in seven countries that included as a goal the encouragement of civic participation at the local level, and for which funding had ended at least five years before. The idea was to see what lasting impact these projects had on spreading and deepening civic participation. Specifically, the assessments sought to determine how the poor were empowered to democratically choose community priorities and work with local governments to see their proposed solutions implemented.*

*In FY 2015, IAF awarded Grassroots Development Fellowships to 14 Ph.D. candidates from universities in the United States who will conduct dissertation research in Latin America during the coming year, one less than our original goal. The Fellows were selected on the strength of their academic record, their proposals, and their potential contribution to grassroots development. The reduction of the fellowship goal in FY 2017 reflects IAF's intent to start non-research-oriented leadership development fellowship program in FY 2017.*

### Performance Measure 3.4: Institutional knowledge-management plan implemented.

	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal

## IAF FY 2015 PAR

Implementation of grant management system.	N/A	NO	NO	YES	N/A
<p><i>IAF is developing and testing a new web-based grants management database system to replace our antiquated proprietary system and enable us to more efficiently catalog and report on grant impacts. We expect implementation to be completed in the second quarter of FY 2016.</i></p> <p><i>In addition, the IAF is working with partners to develop a Partner-Engagement Platform to promote peer-to-peer knowledge exchange, cooperation and learning among IAF's thousands of current and former grantee partners.</i></p>					

*Strategic Goal Four: Increase awareness, understanding, and support for the IAF and its programs among key audiences in order to draw more resources into grassroots development.*

### **Problem/Need/Challenge Addressed**

A broader resource base is crucial to the IAF's vision of increased support for grassroots development. In order to attract additional resources in support of its mission and program, the IAF must increase the degree to which its work is recognized, understood and adequately resourced.

### **Strategy and Key Performance Measures**

The IAF will take advantage of opportunities to increase its visibility and strengthen its position as an effective and experienced leader in grassroots development. It will employ an integrated multi-media communications effort and pursue partnerships with key private foundations, private-sector firms and other U.S. government agencies. The IAF will offer its capabilities, expertise and operational efficiencies to allow partners to invest resources efficiently and effectively through the IAF, rather than bearing the cost of operational inefficiencies associated with unilateral investment. This increased awareness of the IAF, its demonstrated results, and its value proposition should increase the number of partners and volume of resources available. The IAF will also continue to expand opportunities in the Latin American business sector through RedEAmérica, the IAF-initiated network of corporate foundations that currently represents more than 360 Latin American companies committed to investing in grassroots development. Lastly, the IAF will continue to require grantee partners to contribute counterpart funding toward their projects and encourage them to obtain additional support for their efforts from local government, businesses and philanthropic institutions.

# IAF FY 2015 PAR

## Performance Measure Results and Discussion

Performance Measure 4.1: Metrics on visits to the IAF website and utilization of associated online information and resources					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of website visitors	50,000	77,880	103,967	120,000	130,000
<p><i>IAF website has continued to increase user traffic with a yearly growth rate of 4 to 6 percent and exceeded its FY 2015 goal for website visitors by over 3,900 visitors. On average, IAF website receives 7,000 visitors per month and now includes a full suite of social media platforms. The IAF Facebook page has been visited more than 25,000 times. In FY15 IAF also launched an effort to develop a database of online subscribers. This database grew from 0 to more than 12,000 subscribers in an 8-month span.</i></p> <p><i>IAF has produced and posted more than 50 videos about IAF grantee partners and exchanges across the region including a longer feature piece examining post-earthquake reconstruction efforts in Haiti. To date IAF videos have been viewed more than 4,000 times.</i></p>					
Performance Measure 4.2: External speaking engagements or participation of IAF staff in public forums					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of external speaking events with IAF participation	8	12	15	15	20
<p><i>IAF met its FY 2015 goal for external speaking engagements with IAF participation and plans to increase its external engagements in FY 2017 to 20.</i></p>					
Performance Measure 4.3: Media coverage, press releases and grantee project recognition.					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of media events, imprints, stains	5	16	18	20	25
<p><i>IAF met its goal for FY 2015. IAF monitors both earned and social media coverage that involves the agency as well as grantee partners. Though more difficult to track, grantee press and media coverage is one of the optional indicators that IAF grantee partners can choose to monitor over the course of their grant. More than 50% of IAF grantees have opted for and report on this dissemination indicator at six-month intervals. Grantee partners generated more than 800 press mentions in FY2015 related to their IAF-supported activities, although not all mentioned the IAF or USG.</i></p>					

## IAF FY 2015 PAR

Performance Measure 4.4: Total committed dollar amount of in-kind and cash resources contributed and mobilized by grantees					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Dollar value committed in counterpart from grantees	\$16.6 million	\$20.3 million	\$19.2 million	\$22.1 million	\$23.6 million
<i>IAF grantmaking is more than matched by the investment made or mobilized by our grassroots partners. On average over the last five years, our partners bring \$1.36 for every \$1.00 of IAF support.</i>					
Performance Measure 4.5: Funds secured as a result of private-sector, inter-governmental or individual donation, investment or other sponsorship of IAF activities					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Dollar value of outside funding sources	\$450K	\$170K	\$125K	\$1.0 million	\$1.5 million
<i>IAF continues to prioritize diversifying its funding sources beyond the congressional appropriation and SPTF disbursement. In FY 2015, IAF did not meet its \$2.0M goal, but has taken steps to bolster agency efforts to help aggressively engage the private business and philanthropic sectors by moving to hire a full-time donor engagement coordinator and exploring ways to increase the flexibility of its current legislative authority in order to further facilitate receipt of gifts. Furthermore, IAF has realigned its team to be able to commit more senior program management time to cultivating institutional co-investment partnerships in an effort to meet FY16 and FY 17 fundraising goals.</i>					

*Strategic Goal Five: Modernize and strengthen our operations.*

### **Problem/Need/Challenge Addressed**

Feedback from the Grantee Perception Report conducted at the end of 2014 suggested opportunities to streamline our process for approving and monitoring grants and to reduce the administrative burden on our grantees while maintaining prudent controls and appropriate accountability. The IAF operates a grants-management system that has served the agency for many years but does not offer many of the integrative and analytic features available on the market today that will be addressed in the new Grants Management System due out in FY 2016.

### **Strategy and Key Performance Measures**

# IAF FY 2015 PAR

The IAF will continuously conduct a thorough review of its process for approving, monitoring and evaluating grants to identify opportunities to improve effectiveness and reduce the administrative burden on our grantee partners, while maintaining prudent controls and appropriate accountability. We will continue outsourcing to specialized government agencies many support services, including procurement, accounting, travel, human resources, payroll, and equal employment opportunity. We will review these contracts in detail for more efficient and effective ways of conducting operations to assure the best value to the agency. Finally, we revised our system of performance evaluations and augmented our teamwork and backstopping arrangements.

## Performance Measure Results and Discussion

Performance Measure 5.1: Metrics associated with elapsed time from receipt of proposal to definitive decision on funding					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Number of days from proposal to President's approval or rejection notification	211	186	171	165	165
<i>IAF continues its efforts to shorten the length of time required to fund new grants. Over the last three years, we have shortened the time span by almost 20 percent meeting the FY 2015 goal of 171 days from receipt of proposal to decision on funding.</i>					
Performance Measure 5.2: Re-engineering system of grants approval, monitoring, and evaluation supported by versatile grants-management system in place					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Implementation plan developed	N/A	YES	N/A	N/A	N/A
System in place	N/A	N/A	NO	YES	N/A
<i>IAF's new Grants Management System is in the final internal testing stages, and will be rolled out in Q2 of FY 2016.</i>					
Performance Measure 5.3: New performance evaluation system in place.					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
System in place	N/A	NO	YES	N/A	N/A
<i>IAF has revised and updated our Performance Management Policy, which is now fully implemented.</i>					

# IAF FY 2015 PAR

Performance Measure 5.4: Improved results on Grantee Perception Survey compared with 2011					
	FY 2013 Results	FY 2014 Results	FY 2015 Results	FY 2016 Goal	FY 2017 Goal
Higher positive response versus 2011	N/A	N/A	YES	N/A	N/A
<i>The CEP's Grantee Perception Survey, conducted and released in FY 2015, showed IAF significantly outperforming the cohort of international engaged foundations. <a href="http://www.iaf.gov/index.aspx?page76">Link: http://www.iaf.gov/index.aspx?page76</a></i>					



## Section IV: Financial Section



**Inter-American Foundation**

An Independent Agency of the U.S. Government

**November 13, 2015**

The Honorable Shaun Donovan  
Director  
Office of Management and Budget (OMB)  
Eisenhower Executive Office Building  
1600 Pennsylvania Ave, N.W.  
Washington, D.C. 20502

Subject: FY 2015 Performance Accountability Report (PAR)

Dear Director Donovan:

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

The IAF, in conjunction with the U.S. Treasury's Bureau of the Fiscal Service (BFS), 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, 2015, according to the procedures and standards prescribed by OMB and the Government Accountability Office. Through this review, we discovered no material weakness or nonconformance during fiscal year 2015, nor were there any previously open reportable conditions or second tier issues to report or correct. As a result, we conclude with reasonable assurance that the Inter-American Foundation complies with Sections 2 and 4 of the FMFIA.

Moreover, 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.

Please do not hesitate to contact me at (202) 688-3047, or our Senior Budget Officer, Chris Wood, at (202) 803-6098, if you have any questions.

Yours Sincerely,

Lesley Duncan  
Chief Operating Officer and  
Chief Financial Officer

# IAF FY 2015 PAR

## Financial Statements

### IAF BALANCE SHEET AS OF SEPTEMBER 30 2015 & 2014 (IN DOLLARS)

	2015	2014
<b>Assets</b>		
Intra-governmental		
Fund Balance with Treasury (Note 2)	36,067,118	36,415,538
Other (Note 3)	31,018	32,280
<b>Total Intra-governmental</b>	<b>36,098,136</b>	<b>36,447,818</b>
Other (Note 3)	1,595,962	1,765,985
<b>TOTAL ASSETS</b>	<b>37,694,098</b>	<b>38,213,803</b>
<b>Liabilities</b>		
<b>Intra-governmental</b>		
Accounts Payable	33,762	160,285
Other (Note 5)	114,904	185,578
<b>Total Intra-governmental</b>	<b>148,666</b>	<b>345,863</b>
Accounts Payable	318,123	643,130
Other (Note 5)	872,964	433,953
<b>TOTAL LIABILITIES</b>	<b>1,339,753</b>	<b>1,422,946</b>
<b>Net Position</b>		
Unexpected Appropriations –other funds	21,166,221	21,148,566
Cumulative Results of Operations – funds from dedicated collections	15,569,714	15,974,774
Cumulative Results of Operations - other funds	(381,590)	(332,483)
<b>Total Net Position</b>	<b>36,354,345</b>	<b>36,790,857</b>
<b>TOTAL LIABILITES AND NET POSITION</b>	<b>37,694,098</b>	<b>38,213,803</b>

### STATEMENT OF NET COST FOR FISCAL YEARS 2014 & 2015 (IN DOLLARS)

	2015	2014
<b>Program Costs (Note 8)</b>		
Foreign Grant Program:		
Gross Costs	27,476,993	27,498,163
Less: Earned Revenue	(77,795)	(910,739)
<b>Net Cost of Operations (Note 8)</b>	<b>27,399,198</b>	<b>26,587,424</b>

# IAF FY 2015 PAR

## STATEMENT OF CHANGE IN NET POSITION FOR FISCAL YEARS 2014 & 2015 (IN DOLLARS)

	2015 FUNDS FROM DEDICATED COLLECTIONS	2015 ALL OTHER FUNDS	2015 CONSOLIDATED TOTAL	2014 FUNDS FROM DEDICATED COLLECTIONS	2014 ALL OTHER FUNDS	2014 CONSOLIDATED TOTAL
<b>Cumulative Results of Operations</b>						
Beginning Balances	15,974,774	(332,483)	15,642,291	14,626,343	(354,131)	14,272,212
<b>Budgetary Financing Sources:</b>						
Appropriations Used	-	22,050,625	22,050,625	-	21,404,306	21,404,306
Nonexchange Revenue	4,598,448	-	4,598,448	5,950,300	-	5,950,300
Donations & Forfeitures of Cash & Cash Equivalents	25,350	-	25,350	277,318	-	277,318
<b>Other Financing Sources (Nonexchange):</b>						
Imputed Finances Sources (Note 9)	-	270,608	270,608	-	325,579	325,579
Total Financing Sources	4,623,798	22,321,233	26,945,031	6,227,618	21,729,885	27,957,503
Net Cost of Operations	(5,028,858)	(22,370,340)	(27,399,198)	(4,879,187)	(21,708,327)	(26,587,424)
Net Change	(405,060)	(49,107)	(454,167)	1,348,431	21,648	1,370,079
<b>Cumulative Results of Operations</b>	<b>15,569,714</b>	<b>(381,590)</b>	<b>15,188,124</b>	<b>15,974,774</b>	<b>(322,483)</b>	<b>15,642,291</b>
<b>Unexpected Appropriations:</b>						
Beginning Balances	-	21,148,566	21,148,566	-	20,689,748	20,689,748
<b>Budgetary Financing Sources:</b>						
Appropriated Received	-	22,500,000	22,500,000	-	22,500,000	22,500,000
Other Adjustments	-	(431,720)	(431,720)	-	(636,876)	(636,876)
Appropriated Used	-	(22,050,625)	(22,050,625)	-	(21,404,306)	(21,404,306)
Total Budgetary Financing Sources	-	17,655	17,655	-	458,818	458,818
<b>Total Unexpended Appropriations</b>		<b>21,166,221</b>	<b>21,166,221</b>		<b>21,148,566</b>	<b>21,148,566</b>
<b>Net Position</b>	<b>15,569,714</b>	<b>20,784,631</b>	<b>36,354,345</b>	<b>15,974,774</b>	<b>20,816,083</b>	<b>36,790,857</b>

# IAF FY 2015 PAR

## STATEMENT OF BUDGETARY RESOURCES (IN DOLLARS)

	2015	2014
<b>Status of Budgetary Resources:</b>		
Unobligated Balance Brought Forward, October 1	9,437,733	8,985,653
Recoveries of Prior Year Unpaid Obligations	1,871,416	2,324,113
Other changes in unobligated balance	(431,720)	(636,875)
Unobligated balance from prior year budget authority, net	10,877,429	10,672,891
<b>Appropriations</b>	22,525,350	22,500,000
<b>Spending authority from offsetting collections</b>	4,630,017	7,178,004
<b>Total Budgetary Resources</b>	<b>38,032,796</b>	<b>40,350,895</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 14)	29,798,699	30,913,162
Unobligated balance, end of year:		
Apportioned (Note 2)	1,590,800	1,467,129
Unapportioned (Note 2)	6,643,297	7,970,604
<b>Total unobligated balance, end of year</b>	<b>8,234,097</b>	<b>9,437,733</b>
<b>Total Budgetary Resources</b>	<b>38,032,796</b>	<b>40,350,895</b>
<b>Change in Obligated Balance</b>		
<b>Unpaid Obligations:</b>		
Unpaid Obligations, brought forward, October 1	26,977,805	26,038,517
Obligations Incurred (Not 14)	29,798,699	30,913,162
Outlays (gross)	(27,072,067)	(27,649,761)
Recoveries of Prior Year Unpaid Obligations	(1,871,416)	(2,324,113)
<b>Obligated Balance, Start of Year</b>	<b>26,977,805</b>	<b>26,038,517</b>
<b>Obligated Balance, End of Year (Note 2)</b>	<b>27,833,021</b>	<b>26,977,805</b>
<b>Budget Authority and Outlays Net:</b>		
Budget authority, gross	27,155,367	29,678,004
Actual offsetting collections	(4,630,017)	(7,178,004)
<b>Budget Authority, net (total)</b>	<b>\$22,525,350</b>	<b>\$22,500,000</b>
Outlays, gross	27,072,067	27,649,761
Actual offsetting collections	(4,630,017)	(7,178,004)
Outlays, net (total)	22,442,050	20,471,757
Distributed Offsetting Receipts	(25,350)	-
<b>Agency outlays, net</b>	<b>\$22,416,700</b>	<b>\$20,471,757</b>

## 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.

Congress enacts appropriations to permit the IAF to incur obligations for authorized purposes. In fiscal years 2015 and 2014, 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).

#### B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the IAF. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government. The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. 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 issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended, 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. 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.

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

The IAF's grant program is funded by appropriation from the budget of the United States, an agreement with the Inter-American Development Bank (IDB) 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).

### **E. Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of the IAF's 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 bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for IAF on demand. Foreign currency payments are made by Treasury and are reported by the IAF in the U.S. dollar equivalents.

### **F. Accounts Receivable**

Accounts receivable may consist 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.

### **G. 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. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. 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:

Description	Useful Life (years)
Office Furniture	10
ADP Equipment	3
Office Equipment	10
IT Software	3

## H. 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.

## I. Liabilities

Liabilities represent the amount of funds likely to be paid by the IAF as a result of transactions or events that have already occurred. The IAF reports its liabilities under two categories, Intra-governmental and With the Public. Intra-governmental liabilities represent funds owed to another government agency. Liabilities With the Public represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave.

## J. 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% for the 1<sup>st</sup> quarter of FY2014 and 100% thereafter.

### **K. 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. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the IAF 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, as the administrator.

## **L. Other Post-Employment Benefits**

The IAF employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided the IAF with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The IAF recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the IAF through the recognition of an imputed financing source.

## **M. 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 \$50,000 are independently verified using the IAF's audit guidelines. The IAF's administrative expenses are funded solely by appropriated funds.

The IAF estimates grant advances by multiplying the grants disbursed during the quarter by 50%. This estimate will be prepared each quarter to determine the amount of grant disbursements to be accounted for as grant advances in the Balance Sheet.

## **N. 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.

## **O. 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 2015 and 2014 to the extent directed by accounting standards.

## **P. Reclassification**

Certain fiscal year 2014 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

# IAF FY 2015 PAR

## NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2015 and 2014 were as follows:

	2015	2014
<b>Fund Balances:</b>		
Trust Funds	\$ 268,715	\$ 332,058
Social Progress Trust Fund (SPTF)	14,992,004	15,162,978
Appropriated Funds	20,806,399	20,920,502
<b>Total</b>	<b>\$ 36,067,118</b>	<b>\$ 36,415,538</b>
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 1,590,800	\$ 1,467,129
Unavailable	6,643,297	7,970,604
Obligated Balance Not Yet Disbursed	27,833,021	26,977,805
<b>Total</b>	<b>\$ 36,067,118</b>	<b>\$ 36,415,538</b>

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

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 fund balance on hand (See also Note 7).

# IAF FY 2015 PAR

## NOTE 3. OTHER ASSETS

Other assets account balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
<b>Intragovernmental</b>		
Advances and Prepayments	\$ 31,018	\$ 32,280
<b>With the Public</b>		
Grant Advances	1,595,962	1,765,985
<b>Total Other Assets</b>	<b>\$ 1,626,980</b>	<b>\$ 1,798,265</b>

## NOTE 4. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the IAF as of September 30, 2015 and 2014 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.

	2015	2014
<b>Unfunded Leave</b>	\$ 381,590	\$ 332,483
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 381,590</b>	<b>\$ 332,483</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>958,163</b>	<b>1,090,463</b>
<b>Total Liabilities</b>	<b>\$ 1,339,753</b>	<b>\$ 1,422,946</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.

# IAF FY 2015 PAR

## NOTE 5. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
Liability for Advances and Prepayments	\$ 81,796	\$ -	\$ 81,796
Payroll Taxes Payable	33,108	-	33,108
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 114,904</b>	<b>\$ -</b>	<b>\$ 114,904</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$ 7,700	\$ -	\$ 7,700
Accrued Funded Payroll and Leave	118,303	-	118,303
Unfunded Leave	381,590	-	381,590
Grant Payments In Transit	365,371	-	365,371
<b>Total Public Other Liabilities</b>	<b>\$ 872,964</b>	<b>\$ -</b>	<b>\$ 872,964</b>

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
<b>Intragovernmental</b>			
Liability for Advances and Prepayments	\$ 159,591	\$ -	\$ 159,591
Payroll Taxes Payable	25,987	-	25,987
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 185,578</b>	<b>\$ -</b>	<b>\$ 185,578</b>
<b>With the Public</b>			
Payroll Taxes Payable	\$ 4,380	\$ -	\$ 4,380
Accrued Funded Payroll and Leave	97,090	-	97,090
Unfunded Leave	332,483	-	332,483
<b>Total Public Other Liabilities</b>	<b>\$ 433,953</b>	<b>\$ -</b>	<b>\$ 433,953</b>

## NOTE 6. 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, 2015 and 2014 total approximately \$1,073,006 and \$882,538 respectively.

# IAF FY 2015 PAR

## NOTE 7. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2015 and 2014, undelivered orders amounted to \$28,583,634 and \$27,845,198, respectively.

## NOTE 8. INTRA-GOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental costs and revenue represent exchange transactions between the IAF and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2015	2014
Foreign Grant Program		
Intragovernmental Costs	\$ 3,047,333	\$ 3,331,412
Public Costs	24,429,660	24,166,751
Total Program Costs	\$ 27,476,993	\$ 27,498,163
Intragovernmental Earned Revenue	(77,795)	(910,739)
Total Net Cost	\$ 27,399,198	\$ 26,587,424

## NOTE 9. 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 years ended September 30, 2015 and 2014, imputed financing was \$270,608 and \$325,579 respectively.

# IAF FY 2015 PAR

## NOTE 10. FINANCING SOURCES – SPTF AND GIFT FUNDS

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 International Development Bank (IDB) as offsetting collections earned. The IAF had no exchange revenue in fiscal year 2015 or 2014.

	2015	2014
<b>SPTF Cumulative Results:</b>		
SPTF Beginning Balance	\$ 15,642,716	\$ 14,510,621
SPTF Funds Received	4,598,448	5,950,300
Less: SPTF Funds Expended	(4,939,551)	(4,818,206)
<b>SPTF Fund Carry Forward</b>	<b>\$ 15,301,613</b>	<b>\$ 15,642,715</b>
<b>Donations Cumulative Results:</b>		
Donations Beginning Balance	\$ 332,058	\$ 115,722
Donations Received	25,350	277,318
Less: Donations Expended	(89,307)	(60,981)
<b>Donations Carry Forward</b>	<b>\$ 268,101</b>	<b>\$ 332,059</b>
<b>Total SPTF and Donations</b>	<b>\$ 15,569,714</b>	<b>\$ 15,974,774</b>

## NOTE 11. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2015 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2016 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2016 Budget of the United States Government, with the "Actual" column completed for 2014, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

## NOTE 12. LEASES

### Operating Leases

The IAF occupies office space under a lease agreement that is accounted for as an operating lease. The total operating lease expenses as of September 30, 2015 and 2014 were \$708,909 and \$698,175, respectively. The lease term began on April 23, 2012 and expires on April 22, 2017.

Below is a schedule of future payments for the term of the lease.

## IAF FY 2015 PAR

<b>Fiscal Year</b>	<b>Office Space</b>
2016	\$ 703,706
2017	353,774
<b>Total Future Payments</b>	<b>\$ 1,057,480</b>

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

### **NOTE 13. DEDICATED COLLECTIONS**

The IAF has dedicated collections 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.



# IAF FY 2015 PAR

## Schedule of Dedicated Collections as of September 30, 2015:

	Social Progress Trust Fund	Gift Fund	Total Earmarked Funds
<b>Balance Sheet</b>			
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 14,992,004	\$ 268,715	\$ 15,260,719
Other Assets	364,078	-	364,078
<b>Total Assets</b>	<b>\$ 15,356,082</b>	<b>\$ 268,715</b>	<b>\$ 15,624,797</b>
<b>LIABILITIES</b>			
Other Liabilities	\$ 54,469	\$ -	54,469
Accounts Payable	-	614	614
<b>Total Liabilities</b>	<b>\$ 54,469</b>	<b>\$ 614</b>	<b>\$ 55,083</b>
Cumulative Results of Operations	\$ 15,301,613	\$ 268,101	\$ 15,569,714
<b>Total Liabilities and Net Position</b>	<b>\$ 15,356,082</b>	<b>\$ 268,715</b>	<b>\$ 15,624,797</b>
<b>Statement of Net Cost</b>			
Program Costs	\$ 4,939,551	\$ 89,307	\$ 5,028,858
<b>Net Cost of Operations</b>	<b>\$ 4,939,551</b>	<b>\$ 89,307</b>	<b>\$ 5,028,858</b>
<b>Statement of Changes in Net Position</b>			
Net Position Beginning of Period	\$ 15,642,716	\$ 332,058	\$ 15,974,774
Financing Sources	4,598,448	25,350	4,623,798
Net Cost of Operations	(4,939,551)	(89,307)	(5,028,858)
Change in Net Position	(341,103)	(63,957)	(405,060)
<b>Net Position End of Period</b>	<b>\$ 15,301,613</b>	<b>\$ 268,101</b>	<b>\$ 15,569,714</b>

# IAF FY 2015 PAR

## Schedule of Dedicated Collections as of September 30, 2014:

	Social Progress Trust Fund	Gift Fund	Total Earmarked Funds
<b>Balance Sheet</b>			
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 15,162,978	\$ 332,059	\$ 15,495,037
Other Assets	479,737	-	479,737
<b>Total Assets</b>	<b>\$ 15,642,715</b>	<b>\$ 332,059</b>	<b>\$ 15,974,774</b>
Cumulative Results of Operations	\$ 15,642,715	\$ 332,059	\$ 15,974,774
<b>Total Liabilities and Net Position</b>	<b>\$ 15,642,715</b>	<b>\$ 332,059</b>	<b>\$ 15,974,774</b>
<b>Statement of Net Cost</b>			
Program Costs	\$ 4,818,206	\$ 60,981	\$ 4,879,187
<b>Net Cost of Operations</b>	<b>\$ 4,818,206</b>	<b>\$ 60,981</b>	<b>\$ 4,879,187</b>
<b>Statement of Changes in Net Position</b>			
Net Position Beginning of Period	\$ 14,510,621	\$ 115,722	\$ 14,626,343
Financing Sources	5,950,300	277,318	6,227,618
Net Cost of Operations	(4,818,206)	(60,981)	(4,879,187)
Change in Net Position	1,132,094	216,337	1,348,431
<b>Net Position End of Period</b>	<b>\$ 15,642,715</b>	<b>\$ 332,059</b>	<b>\$ 15,974,774</b>

### NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2015 and 2014 consisted of the following:

	2015	2014
Direct Obligations, Category A	\$ 5,377,614	\$ 8,936,361
Direct Obligations, Category B	18,173,625	14,629,321
Reimbursable Obligations, Category A	474	5,339
Reimbursable Obligations, Category B	6,246,986	7,342,141
<b>Total Obligations Incurred</b>	<b>\$ 29,798,699</b>	<b>\$ 30,913,162</b>

## IAF FY 2015 PAR

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 15. CUSTODIAL ACTIVITY

IAF's custodial collection in 2014 primarily consists of returned funds at IAF's request from a grantee due to change in project deliverables or grantee capacity. The returned funds came from IAF's appropriated fund (115/63100) which is no longer available for use; therefore, the funds must be returned to Treasury. While these collections are considered custodial, they were neither primary to the mission of IAF nor material to the overall financial statements. IAF's total custodial collections are \$0 and \$142,256 for the years ended September 30, 2015 and 2014, respectively.

### 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.

	2015	2014
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$ 29,798,699	\$ 30,913,162
Spending Authority From Offsetting Collections and Recoveries	(6,501,433)	(9,502,117)
Offsetting Receipts	(25,350)	-
<b>Net Obligations</b>	<b>23,271,916</b>	<b>21,411,045</b>
Other Resources		
Imputed Financing From Costs Absorbed By Others	270,608	325,579
Other Resources	-	277,318
<b>Net Other Resources Used to Finance Activities</b>	<b>270,608</b>	<b>602,897</b>
<b>Total Resources Used to Finance Activities</b>	<b>23,542,524</b>	<b>22,013,942</b>
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations</b>	<b>3,807,567</b>	<b>4,563,366</b>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>27,350,091</b>	<b>26,577,308</b>
Components of the Net Cost of Operations That Will Not Require or		
Generate Resources in the Current Period:	49,107	10,116
<b>Net Cost of Operations</b>	<b>\$ 27,399,198</b>	<b>\$ 26,587,424</b>



**BROWN & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

## INDEPENDENT AUDITOR'S REPORT

Inter-American Foundation  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying balance sheets of the Inter-American Foundation (IAF) as of September 30, 2015 and 2014, 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), and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

## *Opinion on the Financial Statements*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IAF as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

## *Other Matters*

### Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis (MD&A)* and *Required Supplementary Information (RSI)* sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who 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 U.S. generally accepted government auditing standards, 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.

## **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered IAF's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of providing an opinion financial statements, but not for the purpose of expressing an opinion internal control. Accordingly, we do not express such an opinion.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether IAF's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to IAF. The objective was not to provide an opinion on compliance with provisions of laws, regulations, contracts and grant agreements and therefore, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

## Management's Responsibility for Internal Control and Compliance

IAF's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, and (3) ensuring compliance with other applicable laws and regulations.

## Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

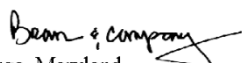
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to IAF. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to IAF's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

## **Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters**

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance with Applicable Provisions of Laws, Regulations, Contracts and Grant Agreements sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of IAF's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IAF's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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

  
Largo, Maryland  
November 6, 2015

**U.S. Agency for International Development**

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