Office of Inspector General

MEMORANDUM

TO: IAF President and CEO, Robert N. Kaplan

FROM: AIG/A, Nathan Lokos

SUBJECT: Audit of the Inter-American Foundation's Financial Statements for Fiscal Years 2014 and 2013 (Audit Report No. 0-IAF-15-003-C)

With this memorandum, the Office of Inspector General (OIG) transmits the audit report prepared by the certified public accounting firm of Brown & Company, CPAs, PLLC, on the financial statements as of September 30, 2014 and 2013, of the Inter-American Foundation (IAF). OIG contracted with this independent auditor to audit the financial statements.

The independent auditor expressed an unmodified opinion on IAF's fiscal year 2014 audited financial statements and notes. The report states that the financial statements presented fairly, in all material respects, IAF's financial position, the net cost of operations, the changes in net position, and budgetary resources for the years ended September 30, 2014 and 2013, in conformity with accounting principles generally accepted in the United States of America.

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

We reviewed the audit report and found it to be in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issued by the Comptroller General of the United States; and the Office of Management and Budget Bulletin 14-02, Audit Requirements for the Federal Financial Statements, as amended.

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

The independent auditor was responsible for the attached auditor's report dated November 17, 2014 and the conclusions therein. Our review disclosed no instances where the independent auditor did not comply, in all material respects, with the auditing standards discussed above.

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
http://oig.usaid.gov

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

INTER-AMERICAN FOUNDATION

PERFORMANCE ACCOUNTABILITY REPORT (PAR)

For the Fiscal Years Ended September 30, 2014 and 2013

www.iaf.gov

November 14, 2014

INTER-AMERICAN FOUNDATION
PERFORMANCE ACCOUNTABILITY REPORT (PAR)
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

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Inter-American Foundation
An Independent Agency of the U.S. Government

November 14, 2014

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) 2014 Performance Accountability Report (PAR)

Dear Director Donovan:

I am pleased to introduce the Inter-American Foundation's (IAF) Performance Accountability Report (PAR) for FY 2014. Enclosed in this report you will find key performance measures and accomplishments for FY 2014, 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,

Robert N. Kaplan
President and CEO

1331 Pennsylvania Ave., N.W. | Suite 1200 North | Washington, D.C. 20004 | Tel: (202) 360-4530 | Fax: (202) 803-6124 | www.iaf.gov

Executive Overview

The Inter-American Foundation (IAF), an independent foreign assistance agency of the United States government, promotes and invests in citizen-led development in Latin America and the Caribbean to help communities thrive. Created in 1969, the IAF responds to innovative, participatory and sustainable self-help development projects proposed by grassroots groups and organizations that support them. 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) Executive, including the president and general counsel; (2) Operations; (3) External and Governmental Affairs; (4) Evaluation and Audits, (5) Networks and Strategic Initiatives; and, (6) Grant-making and Portfolio Management.

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.
- It is results-oriented, investing modest grants to support projects that yield high returns, help communities manage risk, and strengthens the capacity of local groups to continue working after the IAF's support ends.
- 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 $128,000 for every $100,000 contributed by the IAF.
- It is efficient and operates with minimal bureaucracy.
- It has the flexibility to adjust quickly to changing conditions and continue engagement at the community level even when bilateral relations are strained.

In 2014 the IAF invested in 64 new grants and 43 supplemental grants to organizations in 19 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 2014 totaled $20.3 million, more than matching the IAF's investment of $15.3 million.

As a small agency with relatively limited resources, the IAF can only achieve impact at scale by working in partnership with and inspiring others who can invest in helping poor communities thrive. One example, created by the IAF ten years ago, is the RedEAmérica network of corporate foundations in the region. Today, that network has grown to over 70 dues-paying members supported by over 350 corporations in 11 countries. When the IAF invests in citizen-led development efforts with RedEAmérica members, they commit to providing more than triple the IAF's contribution. More important is the fact that RedEAmérica members or their parent corporations continue to invest in grassroots development on their own, applying tools created with the IAF to select projects and track results. Another example is the IAF's partnership with the Mott Foundation to support the development and strengthening of community foundations in Mexico, and mobilizing local philanthropy. The time is ripe for the IAF to approach other private partners as well to increase the leverage of its appropriation and draw more resources into effective citizen-led community development investments.

The Presidential Directive on Global Development calls for coordination among U.S. agencies. The IAF has taken concrete steps in the last two years to do so and will continue to deepen and broaden efforts in FY15 and beyond. The IAF's specialized expertise and assistance complements the efforts of other agencies and increases the return on the total U.S. investment, ensuring that more poor and marginalized communities will benefit. The IAF collaborates with the U.S. Department of State and others to advance important foreign-policy priorities through the Partnership for Growth (PfG), and broader regional initiatives and projects such as the Inter-American Social Protection Network (IASPN), the Joint Action Plan to Eliminate Racial and Ethnic Discrimination and Promote Equity (JAPER) and the Americas Partnership on Social Inclusion and Equality (APSIE).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

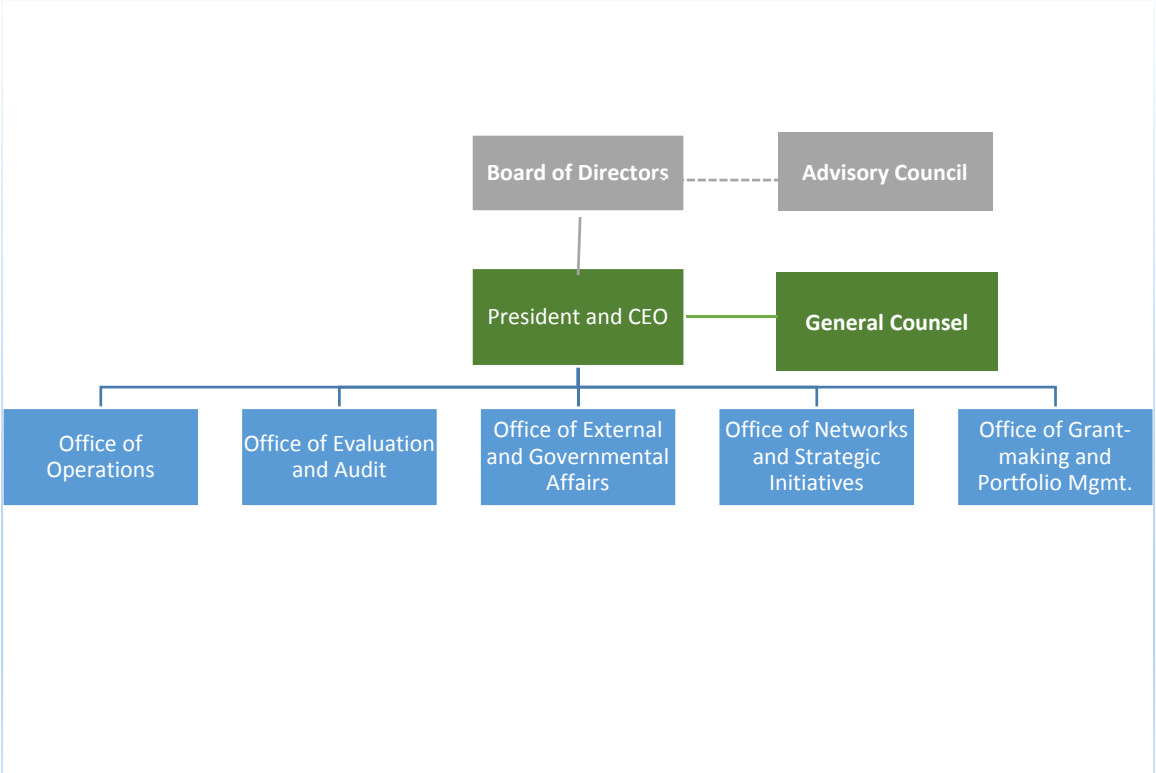
Mission and Organizational Requirements

The Inter-American Foundation funds self-help and participatory development efforts in ways that support democracy and strengthen the bonds of friendship and understanding in the Western Hemisphere. The IAF supports initiatives proposed by the organized poor in Latin America and the Caribbean to improve their quality of life. IAF staff, representing the American government and people, maintain a supportive relationship with the 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 the 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

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) Executive, including the president and general counsel; (2) Operations; (3) External and Governmental Affairs; (4) Evaluation and Audits, (5) Networks and Strategic Initiatives; and, (6) Grant-making and Portfolio Management



Performance Results and Trend Data Summary

This section includes a summary of key performance results and trend data for the IAF in FY 2014 as required by OMB A-136. For a detailed discussion of the strategies and resources the agency used to achieve its goals, and an explanation of plans to improve performance when targets were not met, please see the Performance Section beginning on page 14.

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.

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of funding actions	98	88	107	107	110

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Percentage of projects that met outcome goals.	75%	80%	88%	80%	80%

Performance Measure 1.3: Specific accomplishments reported by grantee partners active in FY 2014, 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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of beneficiaries trained, jobs created/saved, individuals with improved health, and partnerships developed.	342,000	300,000	356,000	300,000	300,000

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

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 Goal**	**FY 2014 Results**	**FY 2015 Goal**	**FY 2016 Goal**
Number of grants funded to traditionally marginalized groups	70	62	62	75	75

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of events with traditionally marginalized groups	32	32	37	32	35

Performance Measure 2.3: Specific accomplishments, reported by project partners active in FY 2014, 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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of beneficiaries trained, jobs created/saved, individuals with improved health, and partnerships developed.	56,282	60,000	62,000	60,000	60,000

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

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 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	62	76	71	80
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of supported participants in activities that directly enhance information dissemination.	221	>200	273	>200	>300

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of publications and other media products on citizen-led development.	37	45	50	50	50

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of fellowships for research that support citizen-led development.	16	15	16	15	15
Number of grants and supplemental grants that support research, study, analysis, or knowledge products related to citizen-led development.	45	41	43	46	46

Performance Measure 3.4: Institutional knowledge-management plan implemented

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Implementation of grant management database.	N/A	YES	NO	YES	N/A

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.

Performance Measure 4.1: Metrics on visits to the IAF website and utilization of associated online information and resources.

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of website visitors	50,000	75,000	77,880	100,000	120,000
Performance Measure 4.2: External speaking engagements or participation of IAF staff in public forums.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of external speaking events with IAF participation	8	10	12	15	15<
Performance Measure 4.3: Media coverage, press releases and grantee project recognition.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of media events	>5	16	16	18	20
Performance Measure 4.4: Total committed dollar amount of in-kind and cash resources contributed and mobilized by grantees					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Dollar value committed in counterpart from grantees	$16.6 million	$15.3 million	$20.3 million	$21.5 million	$22.1. million
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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Dollar value of outside funding sources	$450K	$1.1 million	$170K	$2 million	$2.5 million

Strategic Goal Five: Modernize and strengthen our operations.

Performance Measure 5.1: Metrics associated with elapsed time from receipt of proposal to definitive decision on funding.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of days from proposal to IAF President's approval or rejection notification	211	190	186	171	165

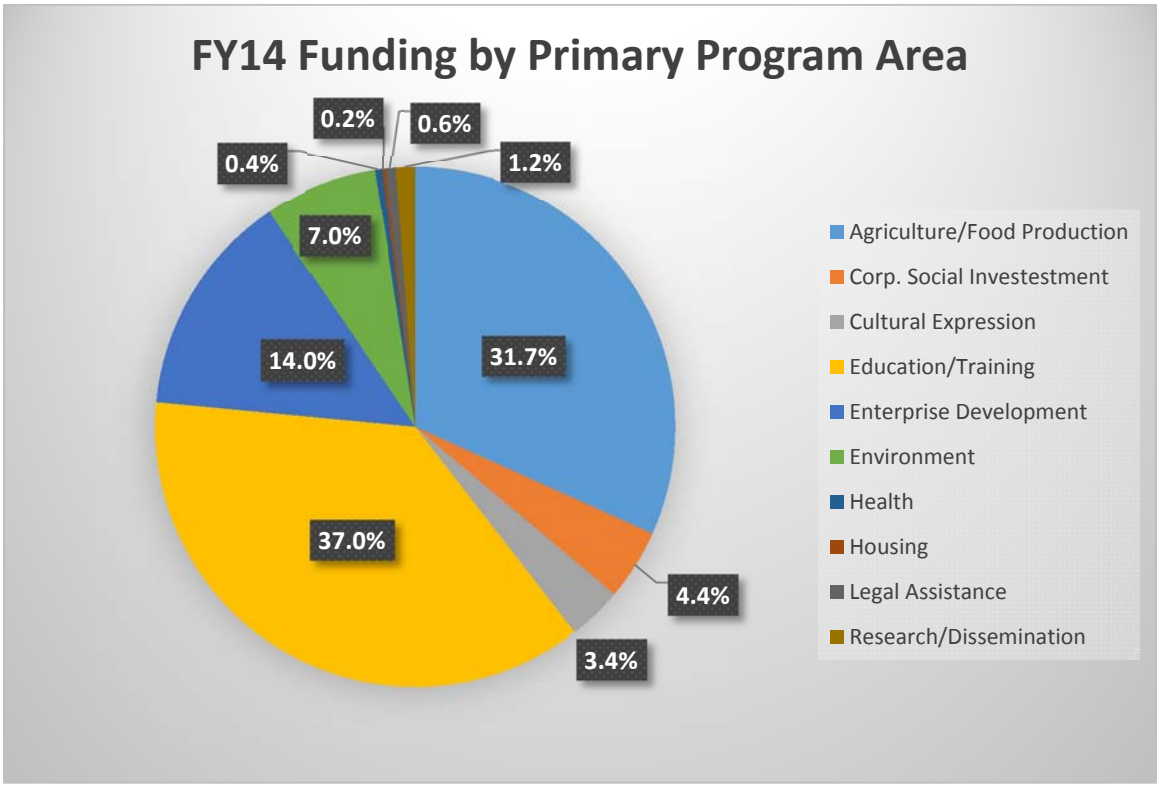
Performance Measure 5.2: Re-engineering system of grants approval, monitoring, and evaluation supported by versatile grants-management system in place.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Implementation plan developed	N/A	Yes	Yes	N/A	N/A
System in place	N/A	N/A	N/A	Yes	N/A

Performance Measure 5.3: New performance evaluation system in place.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
System in place	N/A	Yes	No	Yes	N/A

Performance Measure 5.4: Improved results on Grantee Perception Survey compared with 2011.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Higher positive response versus 2011	N/A	N/A	PENDING	Yes	N/A

Grant Funding by Primary Program Area

The pie chart and table below provide an illustrative analysis of grant funding by primary program area for FY 2014.

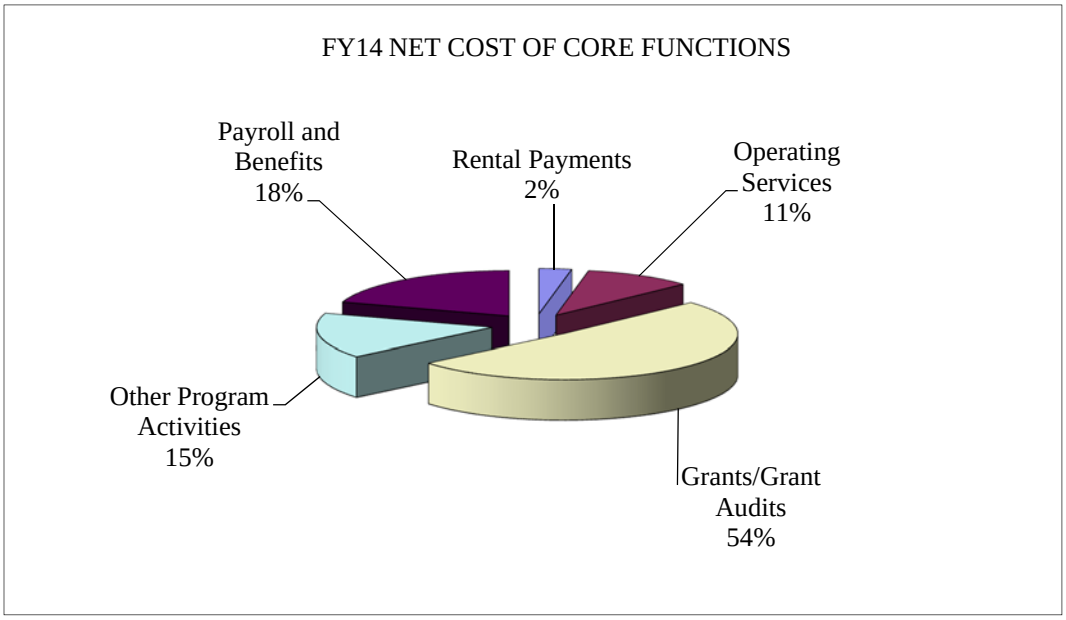


Primary Program Area	FY14 Funding	
	Funding ($)	Percentage of Funding
Agriculture/Food Production	4,879,982	31.7
Corp. Social Investment	675,830	4.4
Cultural Expression	517,496	3.4
Education/Training	5,695,639	37.0
Enterprise Development	2,154,680	14.0
Environment	1,077,365	7.0
Health	67,545	0.4
Housing	30,000	0.2
Legal Assistance	99,600	0.6
Research/Dissemination	183,626	1.2
Total:	**15,381,763**	**100.0**

Analysis of Financial Statements and Stewardship Information

Net Cost of Core Functions

Payroll and benefits in FY2014 increased to $5,321,643 from $5,307,363 in FY2013, and program-related activities (not including grants/grant audits) in FY2014 increased to $4,472,061 from $4,254,316 in FY2013.



Fund Balance with U.S. Treasury

Total resources available from the U.S. Treasury and other financing sources for FY2014 and FY 2013 were $36,415,538 and $35,024,170, respectively.

Limitations on Financial Statements

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

Sources and Uses of Funds

Table 2.1 provides a breakout of sources of funds for the IAF in FY 2014 and how those funds were expended in either Program Support or Program Activities for the Agency.

Table 2.1: IAF Funding Sources

Source of Funds	FY 2013 Actuals	FY 2014 Actuals
Appropriated Funds		
Current Year Appropriated Funds	21,360,915	22,500,000
Carryover Appropriated Funds from Prior Year	113,655	494,304
Recoveries Appropriated Funds	791,724	1,093,797
SPTF Funds		
Current Year and Recoveries SPTF	4,423,704	6,410,301
Inter-Agency Reimbursements	300,000	100,000
Gift Funds	151,427	170,200
Total Obligation Authority	**27,141,425**	**30,768,602**
PROGRAM ACTIVITIES		
Grants and Audits		
Appropriated Funds	8,746,387	10,142,470
SPTF Funds	4,423,704	5,662,326
Inter-Agency Reimbursements	229,496	228,161
Gift Funds	142,085	47,563
Subtotal - Grants/Grant Audits	13,541,672	16,080,520
Evaluations and Other Program Activities		
Appropriated Funds	4,238,875	4,357,351
Inter-Agency Reimbursements	12,890	104,514
Gift Funds	2,550	10,197
Subtotal - Evaluations and Other Prog Activities	4,254,315	4,472,061
Total Program Activities - Grants/Evaluations	**17,795,987**	**20,552,581**
PROGRAM SUPPORT		
Program Management and Operations		
Appropriated Funds	8,786,339	8,972,602
Gift Funds	-	5,339
Total Program Support -- Management and Operations	**8,786,339**	**8,977,941**
Total Obligation Authority	**26,582,326**	**29,530,522**
Counterpart Committed or Mobilized by Grantees	16,606,212	20,344,746
Total (including Grantee Counterpart)	**43,188,538**	**49,875,268**
Ratios:		
Program Support/Total (incl. Grantee Counterpart)	20.34%	18.00%
Program Support/Total (excl. Grantee Counterpart)	33.05%	30.40%
Full-Time Equivalent Usage	41	38

Performance Measures Discussion and FY 2014 Accomplishments

This section provides information on the IAF's progress achieving the goals and objectives set for FY 2014 as described in their 2013 – 2017 Strategic and Annual Performance Plan, and how those goals benefit the communities the IAF serves.

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 the 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.

Contributing IAF programs: Grants for projects, support for exchanges and interaction among partner communities and organizations, and investment in producing new knowledge about what works in community-led development — all closely linked to a sophisticated monitoring and evaluation system that measures results and helps partners adapt strategically to changing circumstances.

Contributing external U.S. government programs: The IAF consults with the respective U.S. Embassy as part of the approval process for new grants each year. The IAF is also participating in and developing inter-agency initiatives involving the Department of State and USAID.

Lead persons/positions: The Office of Grant-making and Portfolio Management and Evaluation and Audit directors lead a Washington-based team, and a network of skilled in-country consultants, that enable the IAF to perform its grant making and evaluation functions in the most cost-effective manner.

Strategy and key 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 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, in the United States and abroad— to channel greater and more sustainable flows of financial support to strong projects throughout the region.

FY 2014 Results and Discussion – Strategic Goal 1

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of funding actions	98	88	107	107	110

IAF responds to an average of 600 proposals each year. In FY 2014, the IAF awarded 69 new grants to grassroots and nongovernmental organizations. The IAF also provided supplementary resources in FY 2014 to 37 organizations it had funded in prior years that showed great promise in reaching and expanding on their objectives. This FY 2014 output exceeded our goal by 18 percent.

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Percentage of projects that met outcome goals.	75%	80%	88%	80%	80%

Of the 50 reporting grantee partners—whose funding ended in fiscal 2013—88 percent met or exceeded the goals specified for each project. See Measure 1.3 for specific examples of

outcomes achieved.

Performance Measure 1.3: Specific accomplishments reported by grantee partners active in FY 2014, 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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of beneficiaries trained, jobs created/saved, individuals with improved health, and partnerships developed.	342,000	300,000	356,000	300,000	300,000

Of the 309 active grantees that received funding in FY 2013, 227 grantee partners reported specific accomplishments as follow:

1. *More than 356,000 individuals benefited from project activities;*
2. *59% of individuals benefited were women;*
3. *44 projects (20% of the 227 projects) benefited indigenous people;*
4. *44 projects (20% of the 227 projects) benefited individuals of African descent;*
5. *Grantees partners collaborated with 913 partners;*
6. *Mobilized and brokered $3.5 million beyond the $16.4 million counterpart pledges;*
7. *53% of grantees partners shared practices with others.*

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 LGBTI identity, 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.

Contributing IAF programs: Grants for projects, support for exchanges and interaction among partner communities and organizations, and investment in producing new knowledge about what works best in promoting greater and more effective participation of traditionally marginalized groups.

Contributing external U.S. government programs: The IAF consults with the respective U.S. Embassy as part of the approval process for new grants each year. The IAF will continue to undertake an initiative involving the Department of State (Americas Partnership on Social

Inclusion and Equality), to promote social inclusion in six countries.

Lead persons/positions: The Office of Grant-making and Portfolio Management and Evaluation and Audit directors lead a Washington-based team, and a network of skilled in-country consultants, that enable the IAF to perform its grant making and evaluation functions in the most cost-effective manner.

Strategy and key 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.

FY 2014 Results and Discussion – Strategic Measure 2

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 Goal**	**FY 2014 Results**	**FY 2015 Goal**	**FY 2016 Goal**
Number of grants funded to traditionally marginalized groups	70	62	62	75	75

The IAF has a rich history of supporting marginalized and disenfranchised groups. In FY 2014, 87 percent of new grants went to projects that directly focus on the inclusion of Afro-descendants (5), Indigenous people (19) People with disabilities (2), Women (12), Youth (23), and LGBTI groups (1).

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of events with traditionally marginalized groups	32	32	37	32	35

The IAF sponsored participation in numerous events, exchanges, and other efforts that enhanced the participation of traditionally marginalized group in the development process.

Some illustrative examples:

- *An IAF-supported exchange brought women artisans from IAF Honduran partner COFEPROAL to visit counterparts in IAF Guatemalan partner AMA. Women from both organizations shared lessons learned about design, production, supply chains, and marketing – lessons that both organizations are now applying to their work with women weavers in the two countries.*
- *Our Paraguayan partner SARAKI, supports the social and economic inclusion of*

persons with disabilities (PWD) and their engagement in public decision making. SARAKI sent a delegation to Washington with IAF support, where they met with public and private agencies active in PWD programs and policies, to learn of other approaches, and to share lessons from their highly successful work in Paraguay. While in Washington, SARAKI and IAF staff made a well-regarded presentation at the Department of State. Returning to Paraguay, they are drawing on contacts and lessons from this visit to enhance their own work.

- *Our Brazilian partner IBRACE convened two large meetings of indigenous and Afro-descendant leaders, to learn from each other and from invited specialists about how to participate more effectively in municipal economic development decision making opportunities made possible by Brazilian decentralization policies.*

Performance Measure 2.3: Specific accomplishments, reported by project partners active in FY 2014, 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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of beneficiaries trained, jobs created/saved, individuals with improved health, and partnerships developed.	56,282	60,000	62,000	60,000	60,000

Grantee partners (175 grantee partners) working with marginalized groups reported specific accomplishments as follow:

1. *Nearly 62,000 new beneficiaries acquired knowledge and skills;*
2. *More than 10,700 individuals enjoyed improved health.*

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, distribution and application of new knowledge about community-led development is more important now than ever before.

The IAF was created in 1969 to be agile and innovative, helping to identify, test, and reflect upon changing opportunities for community-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 grantmaking, every funding action will explore a hypothesis about what works, what doesn't work and why.

Contributing IAF programs: Grants for projects, IAF fellowships for field work by Ph.D

candidates at U.S. universities, support for exchanges and interaction among partner communities and organizations, and investment in producing, sharing and using new knowledge about what works in citizen-led development.

Contributing external U.S. government programs: The IAF consults with the respective U.S. Embassy as part of the approval process for new grants each year. The IAF is also participating in and developing inter-agency initiatives involving the Department of State and USAID.

Lead persons/positions: The President takes a direct role in setting the knowledge agenda. The Directors of Networks and Strategic Initiatives, and Evaluation lead a Washington-based team, and a network of skilled in-country consultants, to identify and take action on knowledge generation opportunities throughout Latin America and the Caribbean.

Strategy and key 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 what we are calling learning enhancement measures enables partners to reflect at mid-course about emerging dynamics and lessons not identified at the time of project design.

Our distinctive Grassroots Development Framework uses a well-established system of concrete indicators and frequent visits by contracted data verifiers to collect evidence throughout each project on progress toward results. This effort, managed by the IAF's Office of Evaluation, is supplemented by Project Histories compiled after funding ceases and by an ambitious program of ex-post evaluations of projects five or more years after completion to assess the long-term impact of our investment.

A complementary strategy relies on the extraordinary capacity of our 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 spreading the word about new knowledge on Next/Best Practices. By supporting these efforts *to help good ideas go viral*, the IAF multiplies its development impact far beyond our limited capacity to intervene directly.

Another complementary strategy is the exploration of new uses of media to identify and distribute new knowledge. The IAF's website (www.iaf.gov) is designed to promote the electronic distribution, among our partners and far beyond, of new knowledge about what works best. The IAF has also invested in producing short videos to document visually and disseminate what our grantee partners are accomplishing. The IAF also offers continued support for current and new partners in Latin America attempting to apply other new media tools in service of community-led development.

The IAF's Grassroots Development Fellowships supports 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 community-led development and the related field of asset-based community

development (ABCD). In FY 2015, we will continue and deepen a partnership with the Coady International Institute to explore how communities can acquire greater political and economic agency.

FY 2014 Results and Discussion – Strategic Measure 3

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 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	62	76	71	80
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of supported participants in activities that directly enhance information dissemination.	221	>200	273	>200	>300

Support for peer-to-peer learning is a critically important strategy in the IAF's program – one that the IAF is building into most of their project agreements. Some FY2014 examples:

- *On two occasions in FY 2014, the IAF supported meetings of IAF partners who are grassroots producers of coffee (mostly from Central America and the Dominican Republic), to share lessons on their work, focusing in particular on strategies to combat roya, the coffee rust plague, market access and crop diversification.*
- *In December 2013, 17 representatives of eight Colombian grassroots partners met for two days to share experiences, materials, methodologies, and lessons learned on training and capacity building.*
- *In April 2014, the IAF convened a meeting of farmers and artisans from 25 partner organizations in El Salvador to exchange lessons learned about production, market access, and sustainability, and to plan more continuous collaboration among IAF partners in the country.*
- *At a meeting in May 2014, 45 representatives from 23 active IAF partners met in Lima to discuss their project experiences and exchange lessons learned about sustainability of project impacts.*
- *In the Dominican Republic, IAF-supported exchanges enabled IAF women's right partner NAM to train IAF coffee-producing partner INADEB on gender issues; to bring together INADEB and IAF partner Cooperativa San Rafael to discuss how to address the problem of coffee roya; and to enable IAF youth partner Acción Callejera to learn from INADEB to better understand how to work with Haitian migrant populations in the DR.*

- *In Haiti, IAF grantee Lakou Lape convened two youth leadership retreats trained at-risk youth in processes of dialogue and conflict resolution. Also, members of IAF partners Twoupe Dawome/SPA and FFFJ met to share lessons about how to use cultural activities (dance and documentary film) to help at-risk youth.*
- *Also in FY 2014, the IAF worked with the International Center for Non-Profit Law and Mexican NGO Fortalece Legal, to convene a workshop with Mexican partners to discuss the enabling environment for civil society organizations and philanthropic institutions in Mexico. At another meeting, the IAF collaborated with the Mott and Kellogg Foundations to support a planning meeting of Mexican community foundations and the alliance they are building to expand community philanthropy in Mexico.*
- *Finally, a new FY 2014 collaborative agreement between the IAF and Peruvian partner Minga Peru, will enable this partner to provide state-of-the-art training and technical assistance in strategic communications and marketing to IAF partners in Peru and the Dominican Republic. This agreement represents a new strategy of actively supporting successful partners in one country to share their knowledge and tools with partners in another.*

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of publications and other media products on citizen-led development.	37	45	50	50	50

The IAF invested in new publications in fiscal 2014. The IAF website has become the principal distribution mechanism for the information contained in IAF publications. Publications in print were distributed to select audiences, including private sector partners, universities, congressional audiences, and active grantees.

The IAF has produced and posted on its website 31 new videos about IAF grantees and exchanges across the region, including organizations in Brazil, Paraguay, Argentina, and Uruguay. One to five-minute videos tour the project sites and neighborhood setting while project leaders and participants describe their goals, activities, lessons, and results.

The IAF journal Grassroots Development 2014 is expected to go into production soon and to be similarly printed and posted. The 2014 journal has a focus on what we have learned over the years about inter alia, leadership, greater inclusion of persons with disabilities, women and the challenges of globalization, auditing at the grassroots level and bottom-up development as an academic discipline.

The IAF added five new posts on the "Stories from the Field" section of its website, which highlights the experiences and lessons of IAF-funded organizations. Recent additions include:

- *Núcleo de Apoyo a la Mujer (NAM)'s fight against domestic violence in the Dominican Republic's Cibao region by providing legal services and bringing this scourge to the*

public's attention: NAM is using its IAF award to develop two regional networks of organizations dedicated to stopping violence against women and ensuring that existing laws, which NAM helped the Dominican government draft in 1997, are enforced.

- *Estación A-Núcleo Cultural's expansion of venues to exhibit and sell the handiwork of participating indigenous Paraguayan crafters, including at the up-scale Sheraton-Asunción hotel. Estación A works to encourage entrepreneurship and develop new markets for handicrafts fashioned by its member artisans, including delicate ñanduti lace, pottery, and filigree jewelry.*

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of fellowships for research that support citizen-led development.	16	15	16	15	15
Number of grants and supplemental grants that support research, study, analysis, or knowledge products related to citizen-led development.	45	41	43	46	46

In fiscal 2014, the IAF awarded Grassroots Development Fellowships to 16 Ph.D. candidates from universities in the United States who will conduct dissertation research in Latin America during the coming year. The Fellows were selected on the strength of their academic record, their proposals, and their potential contribution to grassroots development.

The development of new knowledge products is an increasingly important priority for the IAF program. Some examples of work supported in FY 2014:

- *Peruvian partner CEDER received support from the IAF to contribute new knowledge to the Inter-American Social Protection Network (IASPN), under the auspices of an inter-agency agreement with the Department of State (funded by the IAF and DOS). With IAF support, CEDER will convene three meetings of IASPN partners experimenting with different approaches to engaging civil society organizations in social protection strategies, to share and document their experiences. Working closely with the IAF in this collaborative agreement, CEDER will also produce a summary report on lessons learned from the IASPN effort, to be presented at the 2015 Summit of the Americas.*
- *During FY 2014, the IAF commissioned a study on lessons learned from the Foundation's extensive funding on issues of migration and development – our work with communities of origin of migrants (primarily from Central America) and with diaspora organizations in the US – and to identify emerging issues and actors in this field. This study is informing a larger IAF strategy in FY 2015 and beyond to work more closely with this community.*
- *The IAF continued support in FY 2014 for a Chronic Violence Learning Initiative has led to the refinement and dissemination of concrete framework for addressing issues of chronic violence in communities throughout the region, and community-led responses to the problem. In FY 2014, this Initiative convened a strategy workshop in Guatemala involving participants from Guatemala, El Salvador, Mexico, Colombia, Ecuador, and the US; a planning meeting at the IAF of the International Working Group on Chronic*

Violence and Human Development; and a dissemination meeting at the Department of State. As with the case of our work on migration and development (above), the IAF's work on this issue in FY 2014 has laid the groundwork for expanded investment in this area in coming years.

- *In June 2014, IAF staff and a partner from Argentina (Fundación Cambio Democrático) contributed a case study and other support to the first meeting of a new international effort on social and economic inclusion strategies, held at the Coady International Institute in Canada. This planning meeting will be followed in FY 2015 with a multi-country research and training effort, in which the IAF will be working closely with partners from around the world, and leading the initiative's efforts in Latin America and the Caribbean*.

Performance Measure 3.4: Institutional knowledge-management plan implemented

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Implementation of grant management database.	N/A	YES	NO	YES	N/A

The IAF in in the final stages of negotiation for a new web-based grants management database system that will 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 third quarter of FY 2015.

The IAF has realigned resources to create a new Networks and Strategic Initiatives Office (NSI) to institutionalize the agency's knowledge-management plan to build active networks of partners and collaborators and invest in creating and sharing new knowledge products along strategic themes such as migration, chronic violence, sustainable agriculture.

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.

Contributing IAF programs: Grants for projects, IAF fellowships for field work by Ph.D. students at U.S. universities, evaluation and research initiatives, media initiatives, publications and diverse external engagement with partners, donors and other key constituencies.

Contributing external U.S. government programs: The IAF is participating in and developing inter-agency initiatives involving the Department of State, USAID, the Department of Housing and Urban Development.

Lead persons/positions: The Director of External and Government Affairs provides overall strategic guidance and leadership for this goal, coordinating the involvement of the IAF President, and the IAF Executive Management team.

Strategy and key 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 pursue partnerships with key private foundations, private-sector firms and other U.S. government agencies interested in grassroots development. 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.

FY 2014 Results and Discussion – Strategic Measure 4

Performance Measure 4.1: Metrics on visits to the IAF website and utilization of associated online information and resources.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of website visitors	50,000	75,000	77,880	100,000	120,000

The IAF continues to expand its communication channels and new media for increasing the agency's profile and disseminating information and lessons. The IAF's website (www.iaf.gov) is designed to promote the electronic distribution of important news and new knowledge about what is working best in the field. It has generated more than 250,000 new page views from 70,000 visitors since October 2013. On average more than 50% of visitors were new to the website. The IAF also significantly improved its social media presence in FY2014 nearly doubling its following on Twitter from 167 to 317.

Performance Measure 4.2: External speaking engagements or participation of IAF staff in public forums.

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of external speaking events with IAF participation	8	10	12	15	15<

Performance Measure 4.3: Media coverage, press releases and grantee project recognition.

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of media events	>5	16	16	18	20

The IAF regularly 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.

The IAF utilizes its website and Twitter account to publicize major recognition that IAF grantee partners receive in the press and other media channels. During FY 2014, there were at least 9 instances of significant coverage of the IAF, IAF grantees or former grantees

Performance Measure 4.4: Total committed dollar amount of in-kind and cash resources contributed and mobilized by grantees

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Dollar value committed in counterpart from grantees	$16.6 million	$15.3 million	$20.3 million	$21.5 million	$22.1. million

The IAF's grant making is more than matched by the investment made or mobilized by our grassroots partners. On average over the last five years, our partners bring $128,000 for

every $100,000 of IAF support.

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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Dollar value of outside funding sources	$450K	$1.1 million	$170K	$2 million	$2.5 million

In FY 2014, we were in the process building the fundraising operation and laying the groundwork with investment firms, foundations, and high net-worth individuals. This means a scaling up process that is commensurate with our human resource and overhead cost constraints. This constraint, combined with donor fatigue in the broader philanthropic community, resulted in slower progress than originally anticipated for FY 2014.

- ***C.S. Mott Foundation:*** *The IAF received $125K in additional funds from Mott to support IAF joint programming to strengthen the community foundation sector in Mexico*.
- ***Sertull Foundation*** *– Received $45,200 to co-fund community project in Mexico.*
- ***Green Mountain Coffee Roasters (GMCR****): GMCR has solicited information from IAF regarding the agency's ability to provide partnership capabilities in support of its supply chain field level operations. IAF has forwarded GMCR a draft proposal as part of the Request for Information (RFI) that outlines a 2-year, $2 million commitment. A response from GMCR is pending.*
- ***Friends of the British Council (FOBC):*** *FOBC invests in international opportunities for the UK and the US to work together on shared agendas in the US, the UK and the rest of the world. Collaborating with US partners, it facilitates the development of programs in education, society, arts, and English. FOBC is interested in increasing its presence in Latin America. The IAF social, educational and cultural programs portfolio represents an existing program option that FOBC is interested in supporting. IAF is working with FOBC to identify a partnership opportunity.*

Strategic Goal Five: Modernize and strengthen our operations.

Problem/need/challenge addressed: Feedback from the Grantee Perception Report conducted at the end of 2011 suggests there may be 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. Meanwhile, as a small agency, we must continuously adjust to retirements and transitions of staff and loss of institutional knowledge.

Contributing IAF programs: Inter-agency agreements, formal training and cross-training of staff, IT development.

Contributing external U.S. government programs: Bureau of Fiscal Services (BFS), Department of Treasury (accounting, procurement and travel services); Internal Business Center (IBC), Department of the Interior (personnel services); General Services Administration.

Lead persons/positions: The Chief Operating Officer provides overall leadership and operational support, in close collaboration with the President and the Director of Grant-making and Portfolio Management.

Strategy and key measures: The IAF will 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. The IAF has assessed its legacy grants- management system determining the best course of action to increase functionality and user-friendliness, enhancing the facility to generate more useful analytical reports that can support evidence-based decision-making and operational transparency. We will continue outsourcing to specialized government agencies many support services, including procurement, accounting, travel, human resources, payroll, and equal employment opportunity. Finally, we will revise our system of performance evaluations and augment our teamwork and backstopping arrangements.

FY 2014 Results and Discussion – Strategic Measure 5

Performance Measure 5.1: Metrics associated with elapsed time from receipt of proposal to definitive decision on funding.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Number of days from proposal to IAF President's approval or rejection notification	211	190	186	171	165
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 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Implementation plan developed	N/A	Yes	Yes	N/A	N/A
System in place	N/A	N/A	N/A	Yes	N/A
Performance Measure 5.3: New performance evaluation system in place.					
	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
System in place	N/A	Yes	No	Yes	N/A

Progress has been delayed on the new performance evaluation system. We have hired a consultant to review in FY 2015.

Performance Measure 5.4: Improved results on Grantee Perception Survey compared with 2011.

	FY 2013 Results	FY 2014 Goal	FY 2014 Results	FY 2015 Goal	FY 2016 Goal
Higher positive response versus 2011	N/A	N/A	PENDING	Yes	N/A

The Grantee Perception Survey will be conducted in August 2014 with expected results in the 3rd or 4th Quarters of FY 2015.

Inter-American Foundation
An Independent Agency of the U.S. Government

November 14, 2014

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 2014 Performance Accountability Report

Dear Director Donovan:

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 grant-making decision and to advance the knowledge and success of development practitioners, donors and policy makers.

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, 2014, 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 2014. In addition, the IAF continues to work with BFS to ensure all accounting transactions are recorded properly, and reviewed and corrected timely as recommended in the FY 2013 audit. 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 Budget Officer, Chris Wood, at (202) 803-6098, if you have any questions.

Yours sincerely,

Lesley Duncan
Chief Operating Officer and
Chief Financial Officer

1331 Pennsylvania Ave., N.W. | Suite 1200 North | Washington, D.C. 20004 | Tel: (202) 360-4530 | Fax: (202) 803-6124 | www.iaf.gov

BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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, 2014 and 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02, 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 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.

1101 MERCANTILE LANE, SUITE 122 • LARGO, MD 20774
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com

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, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally

Emphasis of Matter

As discussed in Note 18 to the financial statements, the 2013 financial statements have been restated to correct some misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IAF's internal control. Accordingly, we do not express an opinion on the effectiveness of IAF's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. Given these limitations, during the audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance with Applicable Provisions of Laws, Regulations, Contracts and Grant Agreements

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. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

IAF's management is responsible for (1) evaluating effectiveness of internal control 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, (3) ensuring IAF's financial management systems are in substantial compliance with FFMIA requirements, and (4) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls 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. 14-02 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 controls 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. 14-02 that we deemed applicable to IAF's financial statements for the fiscal year ended September 30, 2014. 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.

Status of Prior Year's Control Deficiencies

We have reviewed the status of IAF's recommendations with respect to the findings included in the prior year's Independent Auditors' Report, dated December 6, 2013. The status of prior year is presented in Section I.

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

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.

Brown & Company

Largo, Maryland
November 14, 2014

SECTION I **Status of Prior Year Recommendations**

Finding No.	Finding	FY 2013 Recommendation	Status
1	General Ledger Account Balances Were Misstated at Interim Reporting Period	IAF reviews its general ledger detail on a monthly basis and ensures all accounting transactions are recorded properly.	Closed.

INTER-AMERICAN FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(In Dollars)

		2014		Restated 2013
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	36,415,538	$	35,024,170
Other (Note 3)		32,280		39,382
Total Intragovernmental		36,447,818		35,063,552
Other (Note 3)		1,765,985		1,737,137
Total Assets	$	38,213,803	$	36,800,689
Liabilities:				
Intragovernmental				
Accounts Payable	$	160,285	$	80,539
Other (Note 6)		185,578		1,033,038
Total Intragovernmental		345,863		1,113,577
Accounts Payable		643,130		156,969
Other (Note 6)		433,953		568,183
Total Liabilities (Note 5)	$	1,422,946	$	1,838,729
Net Position:				
Unexpended Appropriations - Other Funds	$	21,148,566	$	20,689,748
Cumulative Results of Operations - Funds from Dedicated Collections (Note 1		15,974,774		14,626,343
Cumulative Results of Operations - Other Funds		(332,483)		(354,131)
Total Net Position	$	36,790,857	$	34,961,960
Total Liabilities and Net Position	$	38,213,803	$	36,800,689

INTER-AMERICAN FOUNDATION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

		2014		2013
Program Costs: (Note 9)				
Foreign Grant Program:				
Gross Costs	$	27,498,163	$	28,053,510
Less: Earned Revenue		(910,739)		(2,120)
Net Cost of Operations (Note 9)	$	26,587,424	$	28,051,390

INTER-AMERICAN FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014 Funds from Dedicated Collections	2014 All Other Funds	2014 Consolidated Total	Restated 2013 Funds from Dedicated Collections	Restated 2013 All Other Funds	Restated 2013 Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	$ 14,626,343	$ (354,131)	$ 14,272,212	$ 14,036,102	$ (376,619)	$ 13,659,483
Budgetary Financing Sources:						
Appropriations Used	-	21,404,306	21,404,306	-	21,814,825	21,814,825
Nonexchange Revenue (Note 11)	5,950,300	-	5,950,300	6,031,271	-	6,031,271
Donations and Forfeitures of Cash and Cash Equivalents (Note 11)	277,318	-	277,318	150,000	-	150,000
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources (Note 10)	-	325,579	325,579	-	668,023	668,023
Total Financing Sources	6,227,618	21,729,885	27,957,503	6,181,271	22,482,848	28,664,119
Net Cost of Operations (Note 9)	(4,879,187)	(21,708,237)	(26,587,424)	(5,591,030)	(22,460,360)	(28,051,390)
Net Change	1,348,431	21,648	1,370,079	590,241	22,488	612,729
Cumulative Results of Operations	$ 15,974,774	$ (332,483)	$ 15,642,291	$ 14,626,343	$ (354,131)	$ 14,272,212
Unexpended Appropriations:						
Beginning Balances	$ -	$ 20,689,748	$ 20,689,748	$ -	$ 21,485,653	$ 21,485,653
Budgetary Financing Sources:						
Appropriations Received	-	22,500,000	22,500,000	-	22,500,000	22,500,000
Other Adjustments	-	(636,876)	(636,876)	-	(1,481,080)	(1,481,080)
Appropriations Used	-	(21,404,306)	(21,404,306)	-	(21,814,825)	(21,814,825)
Total Budgetary Financing Sources	-	458,818	458,818	-	(795,905)	(795,905)
Total Unexpended Appropriations	$ -	$ 21,148,566	$ 21,148,566	$ -	$ 20,689,748	$ 20,689,748
Net Position	$ 15,974,774	$ 20,816,083	$ 36,790,857	$ 14,626,343	$ 20,335,617	$ 34,961,960

INTER-AMERICAN FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

		2014		Restated 2013
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	8,985,653	$	5,380,781
Recoveries of Prior Year Unpaid Obligations		2,324,113		2,501,289
Other changes in unobligated balance		(636,875)		(341,996)
Unobligated balance from prior year budget authority, net		10,672,891		7,540,074
Appropriations		22,500,000		21,360,915
Spending authority from offsetting collections		7,178,004		6,481,271
Total Budgetary Resources	$	40,350,895	$	35,382,260
Status of Budgetary Resources:				
Obligations Incurred (Note 15)	$	30,913,162	$	26,396,607
Unobligated balance, end of year:				
Apportioned		1,467,129		6,855,965
Unapportioned		7,970,604		2,129,688
Total unobligated balance, end of year		9,437,733		8,985,653
Total Budgetary Resources	$	40,350,895	$	35,382,260
Change in Obligated Balance				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	26,038,517	$	29,367,892
Obligations Incurred (Note 15)		30,913,162		26,396,607
Outlays (gross)		(27,649,761)		(27,224,693)
Recoveries of Prior Year Unpaid Obligations		(2,324,113)		(2,501,289)
Obligated Balance, End of Year	$	26,977,805	$	26,038,517
Budget Authority and Outlays, Net:				
Budget authority, gross	$	29,678,004	$	27,842,186
Actual offsetting collections		(7,178,004)		(6,481,271)
Budget Authority, net, (total)	$	22,500,000	$	21,360,915
Outlays, gross	$	27,649,761	$	27,224,693
Actual offsetting collections		(7,178,004)		(6,481,271)
Agency outlays, net	$	20,471,757	$	20,743,422

INTER-AMERICAN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

Congress enacts appropriations to permit the IAF to incur obligations for authorized purposes. In fiscal years 2014 and 2013, 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, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the IAF in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards 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, 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. Foreign currency payments are made either by Treasury or the Department of State and are reported by the IAF in the U.S. dollar equivalents.

F. Accounts Receivable

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

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, Intragovernmental and With the Public. Intragovernmental 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. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

K. Annual, Sick, and Other Leave

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

L. 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.

M. 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 (FEGLIP) 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.

N. Grant Disbursements and Administrative Expenses

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

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.

O. 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.

P. 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 2014 and 2013 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2013 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2014 and 2013 were as follows:

	2014	Restated 2013
Fund Balances:		
Trust Funds	$ 332,058	$ 108,267
Social Progress Trust Fund (SPTF)	15,162,978	14,076,967
Appropriated Funds	20,920,502	20,838,936
Total	$ 36,415,538	$ 35,024,170
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 1,467,129	$ 6,855,965
Unavailable	7,970,604	2,129,688
Obligated Balance Not Yet Disbursed	26,977,805	26,038,517
Total	$ 36,415,538	$ 35,024,170

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 8.)

NOTE 3. OTHER ASSETS

Other assets account balances as of September 30, 2014 and 2013, were as follows:

	2014	2013
Intragovernmental		
Advances and Prepayments	$ 32,280	$ 39,382
Total Intragovernmental Other Assets	$ 32,280	$ 39,382
With the Public		
Grant Advances	$ 1,765,985	$ 1,737,137
Total Public Other Assets	$ 1,765,985	$ 1,737,137

NOTE 4. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2014

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 3,353	$ 3,353	$ -
Total	$ 3,353	$ 3,353	$ -

Schedule of Property, Equipment, and Software as of September 30, 2013

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 14,965	$ 14,965	$ -
Total	$ 14,965	$ 14,965	$ -

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the IAF as of September 30, 2014 and 2013 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.

	2014	Restated 2013
Unfunded Leave	$ 332,483	$ 322,366
Total Liabilities Not Covered by Budgetary Resources	$ 332,483	$ 322,366
Total Liabilities Covered by Budgetary Resources	1,090,463	1,516,363
Total Liabilities	$ 1,422,946	$ 1,838,729

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The

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

NOTE 6. OTHER LIABILITIES

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

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

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
Liability for Advances and Prepayments	$ 970,330	$ -	$ 970,330
Payroll Taxes Payable	62,708	-	62,708
Total Intragovernmental Other Liabilities	$ 1,033,038	$ -	$ 1,033,038
With the Public			
Payroll Taxes Payable	$ 10,213	$ -	$ 10,213
Accrued Funded Payroll and Leave	235,604	-	235,604
Unfunded Leave	322,366	-	322,366
Total Public Other Liabilities	$ 568,183	$ -	$ 568,183

NOTE 7. COMMITMENTS AND CONTINGENCIES

In the course of the agency's grant-making activities, the IAF has unliquidated grant obligations which, in the absence of violations or cancellations of the grant agreements, will require disbursements. Unliquidated grant obligations at September 30, 2014 and 2013 total approximately $882,538 and $2,836,619 respectively.

NOTE 8. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2014 and 2013, undelivered orders amounted to $27,845,198 and $27,269,005 respectively.

NOTE 9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental 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:

	2014	2013
Foreign Grant Program		
Intragovernmental Costs	$ 3,331,412	$ 3,481,720
Public Costs	24,166,751	24,571,790
Total Program Costs	$ 27,498,163	$ 28,053,510
Intragovernmental Earned Revenue	(910,739)	(2,120)
Total Net Cost	$ 26,587,424	$ 28,051,390

NOTE 10. IMPUTED FINANCING SOURCES

The IAF recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the years ended September 30, 2014 and 2013, imputed financing was $325,579 and $668,023 respectively.

NOTE 11. 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 2014 or 2013.

	2014	Restated 2013
SPTF Cumulative Results:		
SPTF Beginning Balance	$ 14,510,621	$ 14,034,747
SPTF Funds Received	5,950,300	6,031,271
Less: SPTF Funds Expended	(4,818,206)	(5,555,397)
SPTF Fund Carry Forward	$ 15,642,715	$ 14,510,621
Donations Cumulative Results:		
Donations Beginning Balance	$ 115,722	$ 1,355
Donations Received	277,318	150,000
Less: Donations Expended	(60,981)	(35,633)
Donations Carry Forward	$ 332,059	$ 115,722
Total SPTF and Donations	$ 15,974,774	$ 14,626,343

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

The President's Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2015 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 13. LEASES

Operating Leases

The IAF occupies office space under a lease agreement that is accounted for as an operating lease. The total operating lease expenses as of September 30, 2014 and 2013 were $698,175 and $619,490, respectively. The lease term began on May 1, 2012 and expires on April 30, 2017. The agreement allows the IAF an abatement credit in lieu of a build-out allowance, deducted from the monthly rent for the first 7 months of the lease.

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

Fiscal Year	Office Space
2015	706,501
2016	711,547
2017	417,002
Total Future Payments	$ 1,835,050

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

NOTE 14. 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.

Schedule of Dedicated Collections as of September 30, 2014:

	Social Progress Trust Fund	Gift Fund	Total Earmarked Funds
Balance Sheet			
ASSETS			
Fund Balance with Treasury	$ 15,162,978	$ 332,059	$ 15,495,037
Other Assets	479,737	-	479,737
Total Assets	$ 15,642,715	$ 332,059	$ 15,974,774
LIABILITIES AND NET POSITION			
Cumulative Results of Operations	$ 15,642,715	$ 332,059	$ 15,974,774
Total Liabilities and Net Position	$ 15,642,715	$ 332,059	$ 15,974,774
Statement of Net Cost			
Program Costs	$ (4,818,206)	$ (60,981)	$ (4,879,187)
Net Cost of Operations	$ (4,818,206)	$ (60,981)	$ (4,879,187)
Statement of Changes in Net Position			
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)
Net Position End of Period	$ 15,642,715	$ 332,059	$ 15,974,774

Restated Schedule of Dedicated Collections as of September 30, 2013:

	Social Progress Trust Fund	Gift Fund	Total Earmarked Funds
Balance Sheet			
ASSETS			
Fund Balance with Treasury	$ 14,076,966	$ 108,268	$ 14,185,234
Other Assets	433,655	7,454	441,109
Total Assets	$ 14,510,621	$ 115,722	$ 14,626,343
LIABILITIES AND NET POSITION			
Cumulative Results of Operations	$ 14,510,621	$ 115,722	$ 14,626,343
Total Liabilities and Net Position	$ 14,510,621	$ 115,722	$ 14,626,343
Statement of Net Cost			
Program Costs	$ 5,555,397	$ 35,633	$ 5,591,030
Net Cost of Operations	$ 5,555,397	$ 35,633	$ 5,591,030
Statement of Changes in Net Position			
Net Position Beginning of Period	$ 14,034,747	$ 1,355	$ 14,036,102
Financing Sources	6,031,271	150,000	6,181,271
Net Cost of Operations	(5,555,397)	(35,633)	(5,591,030)
Net Position End of Period	$ 14,510,621	$ 115,722	$ 14,626,343

NOTE 15. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

	2014	Restated 2013
Direct Obligations, Category A	$ 8,936,361	$ 8,821,412
Direct Obligations, Category B	14,629,321	12,886,839
Reimbursable Obligations, Category A	5,339	-
Reimbursable Obligations, Category B	7,342,141	4,688,356
Total Obligations Incurred	$ 30,913,162	$ 26,396,607

Category A apportionments distribute budgetary resources by fiscal quarters.

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

NOTE 16. CUSTODIAL ACTIVITY

IAF's custodial collection primarily consists of returned funds at IAF's request from a grantee due to funds mismanagement. 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 are neither primary to the mission of IAF nor material to the overall financial statements. IAF's total custodial collections are $142,256 and $0 for the years ended September 30, 2014, and 2013, respectively.

NOTE 17. 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.

	2014	Restated 2013
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 30,913,162	$ 26,396,607
Spending Authority From Offsetting Collections and Recoveries	(9,502,117)	(8,982,560)
Net Obligations	21,411,045	17,414,047
Other Resources		
Imputed Financing From Costs Absorbed By Others	325,579	668,023
Other Resources	277,318	150,000
Net Other Resources Used to Finance Activities	602,897	818,023
Total Resources Used to Finance Activities	22,013,942	18,232,070
Resources Used to Finance Items Not Part of the Net Cost of Operations	4,563,366	9,819,320
Total Resources Used to Finance the Net Cost of Operations	26,577,308	28,051,390
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	10,116	-
Net Cost of Operations	$ 26,587,424	$ 28,051,390

NOTE 18. RESTATEMENT

In preparing FY14 financial statements and footnotes, the IAF discovered errors had occurred in the split between Funds from Dedicated Collections and Other Funds and made the appropriate adjustment. The adjustment also restated Apportioned and Unapportioned, Social Progress Trust Fund and Appropriated Funds, and Available Unobligated Balance and Unavailable Unobligated Balance reported in the previously issued consolidated financial statements as of September 30, 2013, and 2012. To correct this error, the IAF restated its Balance Sheet as of September 30, 2013, Statement of Changes in Net Position for the year ended September 30, 2013, and its Statement of Budgetary Resources for the year ended September 30, 2013 within the FY 2014 comparative financial statements. Overall, the underlying 2013 balances did not change; only the presentation of those balances.

A summary of the effect of the restatement is shown below:

	2013, as Previously Reported	Correction of Error	2013, as Restated
Balance Sheet			
Cumulative Results of Operations - Funds from Dedicated Collections	$ 14,592,460	$ 33,883	$ 14,626,343
Cumulative Results of Operations - Other Funds	(320,248)	(33,883)	(354,131)
Statement of Changes in Net Position			
Net Cost of Operations with Funds from Dedicated Collections	$ 5,624,913	$ (33,883)	$ 5,591,030
Net Cost of Operations with All Other Funds	22,426,477	33,883	22,460,360
Cumulative Results of Operations with Funds from Dedicated Colelctions	14,592,460	33,883	14,626,343
Cumulative Results of Operations with All Other Funds	(320,248)	(33,883)	(354,131)
Statement of Budgetary Resources			
Unobligated Balance, End of Year			
Apportioned	$ 6,805,965	$ 50,000	$ 6,855,965
Unapportioned	2,179,688	(50,000)	2,129,688
Note 2 Fund Balance With Treasury			
Fund Balances:			
Social Progress Trust Funds (SPTF)	$ 14,034,747	$ 42,220	$ 14,076,967
Appropriated Funds	20,881,156	(42,220)	20,838,936
Status of Fund Balance with Treasury:			
Unobligated Balance, Available	6,805,965	50,000	6,855,965
Unobligated Balance, Unavailable	2,179,688	(50,000)	2,129,688

Note 5 Liabilitites Not Covered By Budgetary Resources			
Unfunded Leave	$ 322,367	$ (1)	$ 322,366
Total Liabilities Not Covered by Budgetary Resources	322,367	(1)	322,366
Total Liabilities	1,838,730	(1)	1,838,729
Note 11 Financing Sources - SPTF and Gift Funds			
SPTF Cumulative Results:			
Less: SPTF Funds Expended	$ (5,624,913)	$ 69,516	$ (5,555,397)
Donations Cumulative Results:			
Less: Donations Expended	-	(35,633)	(35,633)
Donations Carry Forward	151,355	(35,633)	115,722
Total SPTF and Donations	14,592,460	33,883	14,626,343
Note 14 Dedicated Collections			
Social Progress Trust Fund			
Balance Sheet			
ASSETS			
Fund Balance with Treasury	$ 14,034,747	$ 42,219	$ 14,076,966
Other Assets	556,358	(122,703)	433,655
Total Assets	14,591,105	(80,484)	14,510,621
Liabilities and Net Position			
Cumulative Results of Operations	14,441,105	69,516	14,510,621
Total Liabilities and Net Position	14,441,105	69,516	14,510,621
Statement of Net Costs			
Program Costs	5,624,913	(69,516)	5,555,397
Less: Earned Revenue	(6,181,271)	6,181,271	-
Net Cost of Operations	(556,358)	6,111,755	5,555,397
Statement of Changes in Net Position			
Financing Sources	-	6,031,271	6,031,271
Net Cost of Operations	(556,358)	(4,999,039)	(5,555,397)
Net Position, End of Period	14,591,105	(80,484)	14,510,621

Gift Fund			
Balance Sheet			
ASSETS			
Fund Balance with Treasury	$ 1,355	$ 106,913	$ 108,268
Other Assets	-	7,454	7,454
Total Assets	1,355	114,367	115,722
Liabilities and Net Position			
Cumulative Results of Operations	151,355	(35,633)	115,722
Total Liabilities and Net Position	151,355	(35,633)	115,722
Statement of Net Costs			
Program Costs	-	35,633	35,633
Net Cost of Operations	-	35,633	35,633
Statement of Changes in Net Position			
Net Position, Beginning of Period	1,355	-	1,355
Financing Sources	-	150,000	150,000
Net Cost of Operations	-	(35,633)	(35,633)
Net Position, End of Period	1,355	114,367	115,722
Note 15 Apportionment Categories of Obligations Incurred			
Direct Obligations, Category A	$ 8,847,262	$ (25,850)	$ 8,821,412
Direct Obligations, Category B	17,373,336	(4,486,497)	12,886,839
Reimbursable Obligations, Category A	144,246	(144,246)	-
Reimbursable Obligations, Category B	31,763	4,656,593	4,688,356
Note 17 Reconciliation of Net Cost of Operations To Budget			
Resources Used to Finance Items Not Part of the Net Cost of Operations	$ 9,873,571	$ (54,251)	$ 9,819,320
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	(54,251)	54,251	-