



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

Audit of the Inter-American Foundation's Fiscal Years 2019 and 2018 Financial Statements

AUDIT REPORT 0-IAF-20-011-C
November 19, 2019

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MEMORANDUM

DATE: November 19, 2019

TO: Inter-American Foundation, President and CEO, Paloma Adams-Allen

FROM: Deputy Assistant Inspector General for Audit, Alvin A. Brown /s/

SUBJECT: Audit of the Inter-American Foundation's Fiscal Years 2019 and 2018 Financial Statements (0-IAF-20-011-C)

Enclosed is the final audit report on the Inter-American Foundation's (IAF) financial statements as of September 30, 2019, and 2018. The Bureau of Fiscal Services, Department of the Treasury, contracted with the independent certified public accounting firm of Brown & Company, CPAs and Management Consultants PLLC (Brown) to conduct the audit; and the Office of the Inspector General provided oversight. Brown states that it performed its audit in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin No. 19-03, "Audit Requirements for Federal Financial Statements." Brown is responsible for the enclosed auditor's report and the conclusions expressed in it. We do not express an opinion on IAF's financial statements.

The audit objectives were to: (1) express an opinion on whether IAF's financial statements as of September 30, 2019, and 2018, were presented fairly, in all material respects; (2) evaluate IAF's internal control; and (3) determine whether IAF complied with applicable laws and regulations. To answer the audit objectives, Brown assessed risk, considered internal control, and designed audit procedures relevant to IAF's fair presentation of its fiscal years 2019 and 2018 financial statements.

Brown concluded that IAF's financial statements as of fiscal years ending September 30, 2019, and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. Brown did not identify any material weaknesses or significant deficiencies in its internal control over financial reporting. In addition, Brown found no instances of noncompliance with applicable laws and regulations.

We appreciate the assistance extended to our staff and Brown's employees during the engagement.

INTER-AMERICAN FOUNDATION
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018



Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 12, 2019



**INTER-AMERICAN FUNDATION
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
SEPTEMBER 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Inter-American Foundation
Washington, D.C.

In our audits of the fiscal years 2019 and 2018 financial statements of the Inter-American Foundation (IAF), we found

- IAF's financial statements as of and for the fiscal years ended September 30, 2019, and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of Government Corporation Control Act (GCCA) (Pub. L. No. 79-248, codified at 31 U.S.C. Chapter 91), we have audited IAF's financial statements. IAF's financial statements comprise the financial position as of September 30, 2019, and 2018; the related statements of operations and changes in net position, and statement of cash flows for the years ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No.19-03, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

IAF's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements; and (3) maintaining effective internal control over financial reporting, including 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 audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, IAF's financial statements present fairly, in all material respects, IAF's financial position as of September 30, 2019, and 2018, and the related statements of operations and changes in net position, and statement of cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

IAF's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on IAF's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of IAF's financial statements, we considered IAF's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to IAF's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

IAF's management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of IAF's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered the IAF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IAF's internal control over financial reporting. Accordingly, we do not express an opinion on IAF's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of IAF's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of IAF's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the IAF's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of IAF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

IAF's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to IAF.

Auditor's Responsibility

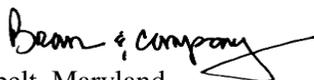
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to IAF that have a direct effect on the determination of material amounts and disclosures in IAF's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to IAF.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to IAF. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.



Greenbelt, Maryland
November 12, 2019

INTER-AMERICAN FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2019 AND 2018
(In Dollars)

	2019	2018
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 44,462,956	\$ 38,730,875
Total Intragovernmental	44,462,956	38,730,875
Accounts Receivable, Net (Note 3)	196	-
Other (Note 4)	1,254,438	1,913,875
Total Assets	\$ 45,717,590	\$ 40,644,750
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 68,231	\$ 44,839
Other (Note 6)	82,761	120,499
Total Intragovernmental	150,992	165,338
Accounts Payable	388,449	953,750
Federal Employee and Veterans' Benefits (Note 5)	303,297	429,618
Other (Note 6)	785,338	782,199
Total Liabilities (Note 5)	\$ 1,628,076	\$ 2,330,905
Net Position:		
Unexpended Appropriations - Other Funds	\$ 32,616,562	\$ 27,287,317
Cumulative Results of Operations - Funds from Dedicated Collections (Note 9)	12,372,546	12,132,566
Cumulative Results of Operations - Other Funds	(899,594)	(1,106,038)
Total Net Position	\$ 44,089,514	\$ 38,313,845
Total Liabilities and Net Position	\$ 45,717,590	\$ 40,644,750

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

INTER-AMERICAN FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

	2019	2018
Revenue		
Appropriations Used	\$ 27,034,406	\$ 25,962,568
Imputed Financing (Note 10)	392,258	355,918
Revenue from Social Progress Trust Fund (Note 12)	2,151,000	-
Donations (Note 12)	75,780	680,236
Total Revenue	\$ 29,653,444	\$ 26,998,722
Expenses		
Grant Program	\$ 29,207,020	\$ 29,307,031
Total Expenses	\$ 29,207,020	\$ 29,307,031
Net Revenue (Loss)	\$ 446,424	\$ (2,308,309)
Net Position		
Net of Revenue (Loss)	\$ 446,424	\$ (2,308,309)
Increase/(Decrease) in Unexpended Appropriations, Net	5,329,245	1,550,292
Increase/(Decrease) in Net Position, Net	5,775,669	(758,017)
Net Position, Beginning Balance	38,313,845	39,071,862
Net Position, Ending Balance	\$ 44,089,514	\$ 38,313,845

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

INTER-AMERICAN FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(In Dollars)

	2019	2018
Cash Flows From Operating Activities:		
Net Revenue (Loss)	\$ 446,424	\$ (2,308,309)
Adjustments Affecting Cash Flow:		
Decrease/(Increase) in Other Assets	659,437	614,779
Decrease/(Increase) in Accounts Receivable	(196)	-
Increase/(Decrease) in Accounts Payable and Other Liabilities	(702,829)	144,884
Total Adjustments	(43,588)	759,663
Net Cash Provided/(Used) by Operating Activities	\$ 402,836	\$ (1,548,646)
Cash Flows From Financing Activities:		
Appropriations Received, Net	\$ (4,534,406)	\$ (3,462,568)
Appropriations Transferred In/Out	10,000,000	6,000,000
Rescissions and Cancellations	(136,349)	(987,140)
Net Cash Provided by Financing Activities	\$ 5,329,245	\$ 1,550,292
Net Increase/(Decrease) in Fund Balance with Treasury	\$ 5,732,081	\$ 1,646
Fund Balance with Treasury, Beginning	38,730,875	38,729,229
Fund Balance with Treasury, Ending (Note 2)	\$ 44,462,956	\$ 38,730,875

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



INTER-AMERICAN FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Inter-American Foundation (IAF), a U.S. government corporation, was established pursuant to part IV of the Foreign Assistance Act of 1969 (22 U.S.C. 290f (a)). The IAF provides grants and other technical assistance 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 2019 and 2018, 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 Statement of Financial Position presents the assets, liabilities, and net position of the agency. The Statement of Operations and Changes In Net Position presents the agency's operating results and displays the changes in the agency's equity accounts. The Statement of Cash Flows presents how changes in the agency's financial position and results affected its cash (Fund Balance with Treasury) and presents analysis of operating and financing activities. The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of the IAF in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the IAF accounting policies which are summarized in this note. These statements 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 development program is funded by appropriation from the budget of the United States, agreement with the 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 the IDB, the United States established the SPTF in 1961 and provided appropriations to SPTF through 1964. The 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, gift funds, and SPTF collections that are available to pay agency liabilities and finance authorized purchases, commitments and SPTF grants.

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

F. Accounts Receivable

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

G. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The IAF's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

H. Advances and Prepaid Charges

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

I. Liabilities

Liabilities represent the amount of funds likely to be paid by the IAF as a result of transactions or events that have already occurred. The IAF reports its liabilities under two categories, 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, deferred rent, and actuarial FECA. Deferred rent is the difference at year-end between the sum of monthly cash disbursements paid to date for rent and the sum of the average monthly rent calculated based on the term of the lease.

J. Annual, Sick, and Other Leave

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

K. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the IAF employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the IAF terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

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

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. IAF expenditures for grants over \$50,000 are independently verified using the IAF's audit guidelines. The IAF's administrative expenses are funded solely by appropriated funds.

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

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. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2019 and 2018 were as follows:

	2019	2018
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 13,273,865	\$ 2,875,561
Unavailable	1,272,088	7,425,682
Obligated Balance Not Yet Disbursed	29,917,003	28,429,632
Total	\$ 44,462,956	\$ 38,730,875

No discrepancies exist between the Fund Balance reflected on the Statement of Financial Position 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, the expired portion of 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 11).

NOTE 3. ACCOUNTS RECEIVABLE

Other assets account balances as of September 30, 2019 and 2018, were as follows:

	2019	2018
With the Public		
Accounts Receivable	\$ 196	\$ -
Total Accounts Receivable	\$ 196	\$ -

The accounts receivable is primarily made up of employee receivables in 2019.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2019 and 2018.

NOTE 4. OTHER ASSETS

Other assets account balances as of September 30, 2019 and 2018, were as follows:

	2019	2018
With the Public		
Grant Advances	\$ 1,254,438	\$ 1,913,875
Total Other Assets	\$ 1,254,438	\$ 1,913,875

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the IAF as of September 30, 2019 and 2018 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.

	2019	2018
Intragovernmental – FECA	\$ 26,381	\$ 71,228
Unfunded Leave	381,191	340,702
Actuarial FECA	303,297	429,618
Deferred Lease Liabilities	188,921	264,490
Total Liabilities Not Covered by Budgetary Resources	\$ 899,790	\$ 1,106,038
Total Liabilities Covered by Budgetary Resources	728,286	1,224,867
Total Liabilities	\$ 1,628,076	\$ 2,330,905

The FECA liability represents the unfunded liability for actual workers compensation claims and unemployment benefits paid on IAF's behalf and payable to the DOL. IAF also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

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.

The deferred lease liability amount represents the difference at year end between the sum of monthly cash disbursements paid to date for base rent and the sum of the average monthly rent calculated based on the term of the lease. This was due to a new lease agreement entered into that had rent abatement provisions.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2019 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ -	\$ 26,381	\$ 26,381
Payroll Taxes Payable	56,380	-	56,380
Total Intragovernmental Other Liabilities	\$ 56,380	\$ 26,381	\$ 82,761

With the Public			
Payroll Taxes Payable	\$ 12,269	\$ -	\$ 12,269
Accrued Funded Payroll and Leave	202,957	-	202,957
Unfunded Leave	381,191	-	381,191
Deferred Lease Liability	75,569	113,352	188,921
Total Public Other Liabilities	\$ 671,986	\$ 113,352	\$ 785,338

Other liabilities account balances as of September 30, 2018 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 1,035	\$ 70,193	\$ 71,228
Payroll Taxes Payable	49,271	-	49,271
Total Intragovernmental Other Liabilities	\$ 50,306	\$ 70,193	\$ 120,499

With the Public			
Payroll Taxes Payable	\$ 8,477	\$ -	\$ 8,477
Accrued Funded Payroll and Leave	168,530	-	168,530
Unfunded Leave	340,702	-	340,702
Deferred Lease Liability	44,975	219,515	264,490
Total Public Other Liabilities	\$ 562,684	\$ 219,515	\$ 782,199

NOTE 7. LEASES

Operating Leases

The IAF occupies office space under a Non-Federal lease agreement that is accounted for as an operating lease. The total operating lease expenses as of September 30, 2019 and 2018 were \$706,657 and \$646,078 respectively. The lease term began on April 23, 2017 and expires on April 22, 2022, which includes deferred rent. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations.

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

Fiscal Year	Office Space
2020	\$ 702,815
2021	694,501
2022	347,250
Total Future Payments	\$ 1,744,566

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

NOTE 8. 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, 2019 and 2018 total approximately \$1,170,217 and \$3,207,930 respectively. There were no contingent liabilities as of September 30, 2019.

NOTE 9. DEDICATED COLLECTIONS

The IAF has dedicated collections that fall into the following categories: 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, 2019:

	Social Progress Trust Fund	Gift Fund	Total Dedicated Collections
Statement of Financial Position			
ASSETS			
Fund Balance with Treasury	\$ 11,902,604	\$ 473,028	\$ 12,375,632
Other Assets	(3,086)	-	(3,086)
Total Assets	\$ 11,899,518	\$ 473,028	\$ 12,372,546
Cumulative Results of Operations	\$ 11,899,518	\$ 473,028	\$ 12,372,546
Total Liabilities and Net Position	\$ 11,899,518	\$ 473,028	\$ 12,372,546
Net Cost			
Program Costs	\$ 1,469,730	\$ 517,070	\$ 1,986,800
Net Cost of Operations	\$ 1,469,730	\$ 517,070	\$ 1,986,800
Statement of Operations and Changes in Net Position			
Net Position Beginning of Period	\$ 11,218,248	\$ 914,318	\$ 12,132,566
Financing Sources	2,151,000	75,780	2,226,780
Net Cost of Operations	(1,469,730)	(517,070)	(1,986,800)
Change in Net Position	681,270	(441,290)	239,980
Net Position End of Period	\$ 11,899,518	\$ 473,028	\$ 12,372,546

Schedule of Dedicated Collections as of September 30, 2018:

	Social Progress Trust Fund	Gift Fund	Total Dedicated Collections
Statement of Financial Position			
ASSETS			
Fund Balance with Treasury	\$ 10,964,828	\$ 856,695	\$ 11,821,523
Other Assets	253,420	57,623	311,043
Total Assets	\$ 11,218,248	\$ 914,318	\$ 12,132,566
Cumulative Results of Operations	\$ 11,218,248	\$ 914,318	\$ 12,132,566
Total Liabilities and Net Position	\$ 11,218,248	\$ 914,318	\$ 12,132,566
Net Cost			
Program Costs	\$ 2,861,923	\$ 82,624	\$ 2,944,547
Net Cost of Operations	\$ 2,861,923	\$ 82,624	\$ 2,944,547
Statement of Operations and Changes in Net Position			
Net Position Beginning of Period	\$ 14,080,171	\$ 316,706	\$ 14,396,877
Financing Sources	-	680,236	680,236
Net Cost of Operations	(2,861,923)	(82,624)	(2,944,547)
Change in Net Position	(2,861,923)	597,612	(2,264,311)
Net Position End of Period	\$ 11,218,248	\$ 914,318	\$ 12,132,566

NOTE 10. INTER-ENTITY COSTS

IAF recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgement Fund. IAF recognizes as inter-entity costs 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 periods ended September 30, 2019 and 2018, respectively, inter-entity costs were as follows:

	2019	2018
Office of Personnel Management	\$ 392,258	\$ 355,918
Total Imputed Financing Sources	\$ 392,258	\$ 355,918

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2019, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ -	\$ 1,254,438	\$ 1,254,438
Unpaid Undelivered Orders	79,831	29,108,884	29,188,715
Total Undelivered Orders	\$ 79,831	\$ 30,363,322	\$ 30,443,153

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ -	\$ 1,913,875	\$ 1,913,875
Unpaid Undelivered Orders	86,153	27,118,612	27,204,765
Total Undelivered Orders	\$ 86,153	\$ 29,032,487	\$ 29,118,640

NOTE 12. 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 IDB as offsetting collections earned.

	2019	2018
SPTF Cumulative Results:		
SPTF Beginning Balance	\$ 11,218,248	\$ 14,080,171
SPTF Funds Received	2,151,000	-
Less: SPTF Funds Expended	(1,469,730)	(2,861,923)
SPTF Fund Carry Forward	\$ 11,899,518	\$ 11,218,248
Donations Cumulative Results:		
Donations Beginning Balance	\$ 914,318	\$ 316,706
Donations Received	75,780	680,236
Less: Donations Expended	(517,070)	(82,624)
Donations Carry Forward	\$ 473,028	\$ 914,318
Total SPTF and Donations	\$ 12,372,546	\$ 12,132,566

NOTE 13. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2019 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2020 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2020 Budget of the United States Government, with the "Actual" column completed for 2018, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

FY2018	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$42	\$32	\$ -	\$28
Unobligated Balance Not Available	-	-	-	-
Difference - Due to Rounding	1	-	-	-
Budget of the U.S. Government	\$43	\$32	\$ -	\$28

NOTE 14. CUSTODIAL ACTIVITY

IAF's custodial collection in 2018 primarily consists of two returned funds at the IAF's request from a grantee due to change in project deliverables or grantee capacity. The collections came from cancelled funds, which are no longer available for use, therefore, the funds must be returned to Treasury. While these collections are considered custodial, they were neither primary to the mission of the IAF nor material to the overall financial statements. The IAF's total custodial collections are \$0 and \$4,227 for the years ended September 30, 2019 and 2018, respectively.

NOTE 15. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

BUDGET AND ACCRUAL RECONCILIATION FOR THE YEAR ENDED SEPTEMBER 30, 2019 (In Dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	\$ 3,218,142	\$23,837,878	\$29,207,020
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Increase/(decrease) in assets:			
Accounts receivable	-	196	196
Other assets	-	(659,437)	(659,437)
(Increase)/decrease in liabilities not affecting Budget Outlays:			
Accounts payable	(23,392)	565,301	541,909
Salaries and benefits	(7,108)	(38,220)	(45,328)
Other liabilities	44,846	161,402	206,248
Other financing sources:			
Federal employee retirement benefit costs	(392,258)	-	(392,258)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (377,912)	\$ 29,242	\$ (348,670)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Other	-	(2,151,000)	(2,151,000)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ -	\$ (2,151,000)	\$ (2,151,000)
Net Outlays (Calculated Total)	\$ 2,840,230	\$21,716,120	\$26,707,350
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			26,707,350
Distributed offsetting receipts (SBR 4200)			(75,780)
Outlays, Net (SBR 4210)			\$ 26,631,570