



OFFICE OF INSPECTOR GENERAL

Audit of the Inter-American Foundation's Financial Statements for Fiscal Years 2009 and 2008

AUDIT REPORT NO. 0-IAF-10-003-C
November 13, 2009

WASHINGTON, DC



Office of Inspector General

November 13, 2009

MEMORANDUM

TO: IAF President, Amb. Larry L. Palmer

FROM: AIG/A, Joseph Farinella /s/

SUBJECT: Audit of the United States Inter-American Foundation's Financial Statements for Fiscal Years 2009 and 2008 (Audit Report No. 0-IAF-10-003-C)

With this memorandum, the Office of Inspector General (OIG) is transmitting the audit report prepared by the certified public accounting firm of Brown & Co., CPAS, PLLC on the Audit of Financial Statements as of September 30, 2009 and 2008 of the Inter-American Foundation, (IAF). The OIG contracted with this Independent Auditor to audit the financial statements.

The Independent Auditor expressed an unqualified opinion on IAF's FY 2009 audited financial statements, and notes. The report states that the Financial Statements presented fairly in all material respects IAF's financial positions, the net cost of operations, the changes in net position, and budgetary resources for the years ended September 30, 2009, and 2008, in conformity with accounting principles Generally Accepted in the United States of America.

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

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 (OMB) 07-04, *Audit Requirements for the Federal Financial Statements*.

In connection with our contract, we reviewed the Independent Auditor's related audit documentation. Our review, is different from an audit in accordance with the auditing standards discussed above, 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 IAF's compliance with other laws and regulations. The Independent Auditor was responsible for the attached auditor's report dated November 5, 2009 and the conclusions expressed therein. Our review disclosed no instances where the Independent Auditor did not comply, in all material respects, with the auditing standards discussed above.

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



INTER-AMERICAN FOUNDATION



FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Fiscal Years Ended September 30, 2009 And 2008

TABLE OF CONTENTS

AGENCY HEAD MESSAGE	3
PERFORMANCE SECTION	4
MANAGEMENT DISCUSSION AND ANALYSIS	17
FINANCIAL SECTION	
CFO LETTER	25
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	27
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL	28
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS	29
BALANCE SHEET	30
STATEMENT OF NET COST	31
STATEMENT OF CHANGES IN NET POSITION	32
STATEMENT OF BUDGETARY RESOURCES	33
NOTES TO THE FINANCIAL STATEMENTS	34



Inter-American Foundation

An Independent Agency of the U.S. Government

PERFORMANCE AND ACCOUNTABILITY REPORT (PAR)

Message from the President

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

The IAF is governed by a nine-person board of directors appointed by the President of the United States and confirmed by the U.S. Senate. Six members are drawn from the private sector and three from the public sector. The board is assisted by an advisory council. A president, appointed by the board, serves as the Inter-American Foundation's chief executive officer, managing a staff of 47 employees based in Arlington, Virginia. The IAF is organized into three offices; Executive, which houses the Office of the President, General Counsel and Congressional Affairs; Operations, which manages Evaluation, Financial Management, Publications, Human Resources and Information Management; and the Program Office, which manages the grant program. An organization chart can be found on page 13.

The IAF plays a crucial role in U.S. foreign policy by delivering U.S. government assistance directly to the poor of Latin America and the Caribbean and the groups that support them. Year after year, the IAF's investment in the ideas and energy of ordinary people has yielded extraordinary returns in the form of economic improvement for families and better living conditions in communities throughout the hemisphere. Many of the grassroots leaders supported by the IAF have gone on to play influential roles in democratic processes and have helped strengthen good governance principles. No longer considered experimental, the IAF's responsive approach is increasingly the model for overhauling top-down funding structures.

ANNUAL PERFORMANCE REPORT (APR)

Accomplishments of the Annual Performance Measures for FY 2009 from the IAF's Strategy Plan

In FY 2009 the Inter-American Foundation received an appropriation of \$22.5 million for program and program support activities, which was supplemented by \$6.8 million from the Social Progress Trust Fund for development grants, and by \$116,000 in carry-over funds. The total budget was \$29.4 million. The IAF's primary funding strategy is responsiveness to the grassroots and nongovernmental organizations proposing the best ideas for improving the quality of life of the poor in Latin America and the Caribbean.

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

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

The IAF responded to the best development proposals it received by awarding 72 grants to grassroots and nongovernmental organizations in 18 countries. New grantees plan to address access to clean water and sanitation; provide training and credit to farmers to improve agricultural production; and further the development of enterprises offering ecotourism services or processing a variety of crops. The IAF also amended awards to 46 organizations funded in prior years.

Performance Measure (outcome) 1.2: Percentage of grantees who's funding ended in FY 2009 that met or exceeded outcome goals specified for each project.

Of the 15 grantees completing their grant period during the first half of fiscal 2009 and reporting by July, 73 percent had met or exceeded their goals related to, *inter alia*, more productive fish farming; training toward sustainable management of fisheries; improved and diversified fruit production; better access to credit; and self-sufficiency for savings and loan cooperatives. Reporting will continue through December.

Performance Measure (output) 1.3: Accomplishments, reported by IAF grantees active in FY 2008, that improved the quality of life as evidenced by measurable indicators.

Results data gathered from reports submitted by IAF grantees during the 12-month period ending in September 2008 reveal the following:

- More than 8,700 beneficiaries improved their diet.
- More than 12,800 beneficiaries received medical attention.
- Close to 2,400 individuals benefited from access to clean water.
- IAF grantees helped their beneficiaries improve 322 homes.

- Registration in courses, workshops and seminars in agriculture counted more than 21,900 individuals; in civic participation, approximately 16,700; in management, close to 14,000; and in topics related to manufacturing, more than 9,200.
- IAF grantees created 350 full-time and 456 part-time permanent jobs and 1,280 full-time and 725 part-time seasonal jobs.
- Organizations contributing support in cash or in kind to IAF grantees totaled 1,660.
- Of the 598 organizations working in partnership with IAF grantees, 395 became partners during FY-08.
- Grantees mobilized \$4.3 million and brokered another \$1.1 million for project activities, or a total of \$5.4 million (\$4.2 million in cash and \$1.2 million in kind).
- Businesses located near IAF projects contributed more than \$500,000, mostly in cash, to the IAF grantees undertaking them; local governments contributed \$478,000.
- International nonprofit organizations contributed close to \$650,000 to IAF grantees.
- IAF grantees extended more than 4,800 loans, which averaged \$596 each. Loans for business development represented 48 percent of the total and averaged \$530 each.
- In 17 of the 18 countries where the IAF funds projects, grantees disseminated information on approaches, practices and/or techniques. Haiti was the exception.

Goal Two: Stimulate broader participation in the development process and broader engagement in democratic practices.

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

The IAF's FY 2009 program includes grants or supplements to 64 grantees whose programs engage and benefit groups and organizations of the marginalized and disenfranchised as described in the measure:

- The IAF awarded 13 new grants and five supplemental grants to organizations serving **African descendants** in Colombia, the Dominican Republic, Ecuador, Haiti, Honduras, Jamaica, Mexico, Panama and Peru.
- Awards to 21 new grantees and seven to grantees from prior years continue the IAF's long history of support for **indigenous** Latin Americans in Argentina, Bolivia, Colombia, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Panama and Peru. Projects funded address forestry, conservation, craft enterprises, nutrition, water and sanitation, and access to credit.
- Supplemental grants will benefit Mexicans and Peruvians with **disabilities**.
- The IAF awarded 14 grants and two supplements to organizations serving **young people** with programs in enterprise development and leadership directed at preventing delinquency in Brazil, Colombia, the Dominican Republic, El Salvador, Haiti, Honduras, Nicaragua and Panama.
- The IAF funded many organizations led by or serving **women**, including those of African and indigenous descent and young women in Argentina, Bolivia, Brazil, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti and Panama. Projects focus on generating

income from crafts, sewing and baking as well as from nontraditional fields such as agriculture and enterprise development.

Performance Measure (outcome) 2.2: Percentage of these grantees whose funding ends in FY 2009 that met or exceeded outcome goals specified for each project.

As reported in Performance Measure 1.2, of the 15 grantees that completed their grant period during the first half of fiscal 2009 and reported by July, 76 percent had met or exceeded their goals. Figures have not yet been disaggregated to reflect the success rate of the grantees serving specific marginalized communities.

Performance Measure (output) 2.3: Events supported or organized to stimulate broader participation in the development process or engagement in democratic practices.

The IAF sponsored participation in numerous events designed to stimulate inclusion and civic engagement. A partial listing follows:

- The IAF continued to work with the Department of State and the Brazilian government on the U.S.-Brazil Joint Action Plan to promote international cooperation toward eliminating race-based discrimination, an initiative in which **African descendants** representing former IAF grantees are involved.
- Among the 20 individuals participating in a series of meetings with government officials in Uruguay were the Uruguayan vice minister for Afro Descendants and Indigenous Communities and mayors from six Latin American cities with many citizens of **African descent**: Tambo de Mora, Peru; Esmeraldas, Ecuador; Talamanca, Costa Rica; Bluefields, Nicaragua; Coroico, Bolivia; and Tumaco, Colombia. The Uruguayan municipalities represented entered into agreements to provide the foreign mayors technical assistance related to water and sanitation, tourism development, health care, information technology and antidiscrimination policies.
- **African descendants** from former IAF grantee Asociación Afroparaguaya Kamba Cua gave presentations at workshops at the annual conferences of the National Council of La Raza (NLCR) and the National Urban League on Afro-Latinos both held in July in Chicago. They performed traditional drumming at NCLR's youth conference and gave the Center for Black Music Research of Columbia College a CD of Afro-Paraguayan music, the Center's first acquisition from Paraguay.
- Brazilian and Bolivian **women of African descent** lectured at the Fourth Annual Women of Power series held in universities in New York, Maine, Louisiana, and Puerto Rico.
- Thirteen women participated in the General Assembly of the **Red de Mujeres Afrolatinoamericanas, Afrocaribeñas y de la Diáspora** held in Managua.
- Mundo Afro's Primer Foro Regional de Organismos Municipales de Equidad Racial e Igualdad de Oportunidades brought representatives from municipal governments in five Latin American countries to Quito to discuss **race relations**.
- Amb. Larry Palmer delivered the keynote address at the fourth meeting of the Grupo Barlovento, held in La Paz in May, where nine scholars of **African descent** developed curricula, books and other teaching materials on African descendants in the Americas.

- **African descendants** representing civil society attended events co-sponsored by Global Rights Partners for Justice to advance inclusion on the agenda of the Organization of American States. They were joined at the General Assembly of the OAS and the Summit of the Americas by representatives from the region's two largest networks of the **disabled**.
- The IAF awarded a grant to the Latin American Studies Association for collaborative research on judicial reform and the rights of **African descendants and indigenous peoples** by grassroots organizers in Latin America and the Caribbean and scholars from U.S. universities.
- Representatives of organizations serving **people with disabilities, senior citizens, indigenous peoples, African descendants, youths, women, HIV/AIDS patients and other vulnerable groups** addressed employment discrimination and access to health services and education in workshops held in collaboration with the Honduran Congress.
- On a panel addressing accessible transportation at the XIV Inter-American Conference of Mayors held in Miami, representatives from Federación Nacional de Ecuatorianos con Discapacidad Física spoke of IAF-sponsored Taxi Solidario's successful service for **disabled Ecuadorians**.
- Officers of organizations representing **deaf Latin Americans** participated in the World Deaf Federation's VI Encuentro Latinoamericano de Sordos e Interpretes, in Bogota. IAF Fellow Elizabeth Lockwood, who is studying the deaf movement in Uruguay, spoke of her research.
- The Technical Secretariat for the Implementation of the Program of Action for the Decade of the Americas for the Rights and Dignity of Persons with Disabilities contributed toward the participation of representatives of organizations of **persons with disabilities** in workshops organized by the OAS.

Performance Measure (outcome) 2.4: Percentage of participants in these events who say they will apply the knowledge gained to their work with development or civic engagement.

Approximately 97 percent of respondents said they will apply the knowledge gained from the events to their work. They cited networking and communication as the most useful benefits of the experience.

Goal Three: Draw more resources into grassroots development.

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

FY 2009 grantees committed nearly \$22 million in counterpart resources for their projects. Grantees mobilized \$4.3 million and brokered another \$1.1 million for project activities, or a total of \$5.4 million (\$4.2 million in cash and \$1.2 million in kind). Organizations contributing support in cash or in kind to IAF grantees totaled 1,660. Businesses located near IAF projects contributed more than \$500,000, mostly in cash, to the IAF grantees undertaking them; local governments contributed \$478,000; international organizations contributed close to \$650,000.

Performance Measure (output) 3.2: Number of companies and corporate foundations that commit to supporting grassroots development by becoming members of RedEAmerica.

RedEAmerica currently has 68 members in 12 countries, reflecting a net gain of 11 compared to last year's membership. New members who joined in 2009 include Curtiembres Fonseca and Fundación Diario La Capital of Argentina; Siemens of Chile; Fundación Gases de Occidente and [Fundación Surtigas](#) of Colombia; Siemens, S.A., of Ecuador; [Fundación ADO](#), Fundación del Empresariado en México, A.C. (Fundemex) and Fundación FEMSA of Mexico; [Fundación Belcorp](#) and [Asociación Sodexo por el Desarrollo Sostenible](#) of Peru; and [Supermercados Unicasa](#) and [Fundación Smurfit Cartón](#) of Venezuela.

Performance Measure (outcome) 3.3: The dollar amount of resources invested in grassroots development through RedEAmerica.

Resources committed under a grant agreement entered into with RedEAmerica member Fundemex in 2009 totaled \$1,211,150 over the next three years. Additionally, pursuant to its co-funding agreement entered into with the IAF in fiscal 2008, in fiscal 2009 the Codespa Foundation of Spain increased by \$500,000 the original \$1 million it committed to RedEAmerica for grassroots development in Guatemala, Colombia and Peru. As reported in fiscal 2008, the Multilateral Investment Fund (MIF) of the Inter-American Development Bank awarded RedEAmerica \$4.8 million for grassroots development in Argentina, Brazil, Guatemala, Colombia, Ecuador, Mexico and Peru. The grant is the MIF's most generous to date and represents the MIF's most extensive geographic coverage with a single award. RedEAmerica has committed \$3.6 million in counterpart. While the MIF funding has yet to be released, in 2009 the network developed funding criteria and the members it selected to participate in the program began channeling their own resources to community organizations undertaking self-help projects.

In some countries, members work together grouped into "national funds." Groups that became parties to cooperative agreements with the IAF committed to matching IAF funds two-to-one over three years, as reported for the fiscal year in which the agreements were entered into. These commitments were fulfilled during 2009. The Colombian National Fund contributed \$254,554 from members and mobilized resources (and the IAF \$127,277) toward 26 projects undertaken by grassroots groups targeting income generation and education; Fundación Arcor and other RedEAmerica members working as the Argentine National Fund contributed \$231,811 (and the IAF \$60,234) toward 22 educational projects. The Brazilian National Fund contributed \$ 127,537 from members and mobilized resources (and the IAF \$64,536) toward seven grassroots projects.

Performance Measure (output) 3.4: Activities to encourage the investment of resources in transnational development.

The IAF sponsored the participation of 10 Salvadoran women leaders from U.S.-based hometown associations and other organizations of immigrants in the Sixth International Convention of Salvadorans in the World held in San Salvador. To encourage new proposals and identify partners,

IAF staff participated in various events related to transnational issues held throughout Latin America and the Caribbean and in Washington, D.C.

Goal Four: Document the IAF's investments and results.

Performance Measure (output) 4.1: In-depth evaluations or analyses documenting the impact of closed projects.

The Evaluation Office tested a method for assessing the impact of IAF's funding by studying four former grantees for their likelihood of survival, the likelihood their work would continue, changes in living conditions and unexpected outcomes: Instituto para el Desarrollo Integral de la Comarca Kuna Yala (IDIKY) and Asociación de Profesionales Agropecuarios Ngobe-Buglé (APANB) in Panama, and Centro de Investigación y Promoción Social (CIPS) and Instituto Regional para la Educación y el Desarrollo (REDES) in Peru. The findings will be discussed in a workshop with IAF's contracted data-verifiers early in fiscal 2010.

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

Performance Measure (output) 5.1: Publications produced that disseminate the IAF's experiences and approach.

The annual report was published and distributed in English and Spanish and posted English, Spanish and Portuguese versions on the IAF's Web site. The IAF heralded its upcoming 40th anniversary with a specially focused *Grassroots Development* for 2009 that was published and distributed in English and Spanish and posted in English, Spanish and Portuguese on the IAF's Web site. Articles included features on trailblazing grantees from each decade of IAF's work, thought pieces on the grassroots approach and the Grassroots Development Framework pioneered at the IAF and a profile of the career of Kevin Healy, the IAF's longest serving representative and an internationally recognized expert in several areas. Feedback from readers included a message from George Cabot Lodge, a founding member of the IAF's board of director and professors from several U.S. universities. At the 16th Inter-American Conference of Mayors and Local Authorities, held June 8-11 and co-sponsored by the IAF, Florida International University and Miami-Dade County, IAF representative Wilbur Wright used his article "Decentralization Peruvian Style: Issues of Will and Resources" from *Grassroots Development* 2008 in a workshop on the challenges and achievements by IAF grantees adjusting to a decentralized context.

Performance Measure (output) 5.2: Conferences, workshops, grantee exchanges, staff outreach and other activities sharing the IAF's experience with and approach to grassroots development.

IAF staff and representatives of current and former grantees shared experiences and the IAF approach in a variety of fora:

- In partnership with the Technological Institute of Monterey, Mexico (TEC), the British bank HSBC and the IAF, RedEAmerica launched its online certificate program in funding grassroots development. "Private Sector Investment in Grassroots Development" consists of 110 hours of Web-based instruction for staff of corporate foundations and businesses

interested in supporting social investment programs and civil society leaders. Sponsored by the IAF and facilitated by Kevin Healy, IAF representative for Bolivia, four Aymara farmers from former IAF grantee El Ceibo, a federation of 40 Bolivian cooperatives of cacao producers, reprised their role in “The Power of Chocolate,” a Valentine’s Day celebration that drew 20,000 visitors to the Smithsonian’s National Museum of the American Indian. The farmers shared the story of the IAF’s investment in a grassroots organization that evolved into Bolivia’s premiere exporter of cacao and chocolate products.

- At the same event two Kuna representing former grantees explained their contribution to Cocoa Vial, a new cacao product which the MARS corporation developed with the help of the Kuna, an indigenous people with whom the IAF has maintained a long and productive relationship.
- The IAF, USAID, Jatropha Foundation and Fondation CHIBAS-Haiti brought farmers and representatives from IAF grantees, donors, NGOs, businesses and the Haitian government to the first Jatropha Stakeholders Conference, held in Port-au-Prince in June, to analyze the potential of jatropha, a plant native to Haiti, as an alternative source of energy. Participants also discussed food security, land use and reforestation.
- Some 400 participants from 12 countries attended the Inter-American Conference of Mayors and Local Authorities, *supra*, where panels of representatives of IAF grantees spoke on grassroots approaches to recycling (INSEA from Brazil), education (FACEPT from Argentina), municipal networking (REMURPE from Peru) and making transportation accessible to the disabled (Gestión Ecuador).
- Experts from Peru and Bolivia joined Kevin Healy at the Latin American Studies Association Congress (LASA), held in Rio de Janeiro in June, for a discussion of the role of IAF funding in the revival of quinoa, a traditional Andean staple that has become a high-performing export commodity and development engine.
- Judith Morrison, IAF regional director, organized a panel on race and development at the LASA Congress.
- In August, Kevin Healy analyzed changes under the administration of Evo Morales for Al Jazeera news network as it marked Bolivia’s independence day and participated in a public forum on poverty in Latin America organized by the Council of the Americas and the Millennium Challenge Corporation.
- More than 50 representatives from academia, government and nongovernmental organizations attended an event in Argentina where IAF staff shared the results of an evaluation of the IAF’s investment in Federación de Asociaciones de los Centros para la Producción Total (FACEPT), a federation of secondary schools that prepare students for careers in agriculture.
- Representatives from 18 grantee organizations in Argentina, Uruguay and Paraguay, including Manos del Uruguay, an IAF grantee in the 1970s and 1980s, discussed the challenges to attaining financial self-sufficiency at a conference in Abra Pampa, Argentina.

Performance Measure (outcome) 5.3: Percentage of participants surveyed who will apply knowledge gained in IAF-sponsored learning activities to their development work.

Participants in the above events were not surveyed.

Performance Measure (output) 5.4: Funded research, including fellowships supporting doctoral research on related topics, that adds to the body of knowledge related to grassroots development.

The IAF awarded 15 Grassroots Development Fellowships in 2009, which represented the third cycle of its reinstated program of support for research conducted by Ph.D. students who have advanced to candidacy in U.S. universities.

The Fellows were selected on the strength of their academic record, their proposals and their potential contribution to grassroots development. All U.S. citizens except as noted, they will research the following topics:

- Lissette Aliaga-Linares, Peruvian citizen, University of Texas—Austin, underground economies in Lima and Bogota;
- Jaime Amparo Alves, Brazilian citizen, University of Texas—Austin, state-sanctioned violence in a Brazilian shantytown;
- Laura Brewington, University of North Carolina-Chapel Hill, agricultural production, environmental policy and species invasion in the Galapagos;
- Brian Joseph Burke, University of Arizona, barter systems in Medellin, Colombia;
- Amanda Merritt Fulmer, University of Washington, the rights of indigenous Guatemalans;
- Margarita Huayhua Curse, Peruvian citizen, University of Michigan, ethnic hierarchy in the southern Andes;
- Jennifer Ann Devine, University of California—Berkeley, cultural tourism in post-war Guatemala;
- Christopher Laurence Gibson, Brown University, municipal health councils in Brazil;
- Jessica Alexis Jolicoeur Rich, University of California—Berkeley, responses to HIV/AIDS in Brazil;
- Amy Michelle Lerner, University of California—Santa Barbara, household maize production in Central Mexico;
- David Ricardo García, Guatemalan citizen, University of Florida, frontier land rights in Guatemala;
- Gustavo Alberto García López, Indiana University, community forestry in Durango and Guerrero, Mexico;
- Amy Rebecca Firestone, University of Illinois, revitalization of the Quechua language;
- Diana Carolina Ojeda, Colombian citizen, Clark University, tourism-based development and state violence in Colombia;
- Alan Shane Dillingham, University of Maryland, bilingual education in Mexico's Mixteca Alta region.

Goal Six: Build upon and enhance current efficiency measures.

Performance Measure (efficiency) 6.1: Percentage of IAF's total obligation spent on overhead: personnel, staff travel, office rent, phone services, information technology services, supplies, equipment and other general operating expenses.

IAF estimates it will spend on overhead 26.8 percent of its FY 2009 operating budget.

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

Maintaining current FTE levels and support systems is essential to achieving program goals. IAF will continue to introduce technology and E-Gov initiatives that improve efficiency and further reduce the costs of enterprise network equipment and maintenance, human resource operations, travel and telecommunications. In FY 2009, the IAF began participating with NBC in E-Gov initiatives to improve personnel operations. The eOPF project currently underway will convert all Official Personnel Folder (OPF) records to electronic format over the next six months, which will save staff time in maintaining the folders and afford IAF employees access on-line. The IAF is also planning to take advantage of NBC's Workforce Transformation and Tracking System (WTTS) and Entry on Duty Systems (EODS) currently in preparation by the Department of Interior for roll-out in FY 2010. These applications will afford additional automation and eliminate data redundancy, further streamlining operations and lowering costs. NBC's Talent Management System (TMS), which includes modules for learning management and performance management, is under consideration for deployment by the IAF in FY 2011.

Under its agreement with IAF, BPD provides information technology support that includes security, network administration and help desk services. The IAF currently maintains a data center with six servers at IAF's Arlington offices, which are maintained remotely through a VPN connection by IT specialists at BPD's facility in West Virginia. BPD also hosts the IAF alternate COOP data center in West Virginia. Beginning in late FY 2010, IAF will relocate its data center to West Virginia, which will allow BPD to lower costs by replacing IAF's current hardware inventory of 12 servers with four machines that will run between eight and 10 servers using virtualization technology. This move will produce additional savings by enabling BPD to manage the IAF network more efficiently, while facilitating data back-up and COOP system maintenance and testing through direct access to all IAF servers. Consolidated purchases of computer equipment through BPD in FY 2009 allowed the IAF to complete acquisitions efficiently and at lower cost through discounts for bulk purchases.

BPD has implemented the integration with the Central Contractor Registration, the system used by suppliers as the sole repository for pertinent data, including remittance information. Integration allows BPD and the IAF to maintain more efficiently current data related to suppliers. The IAF is supporting the Financial Management Line of Business (FMLOB) Initiative by using BPD's Oracle Federal Financials System and related accounting and procurement services and BPD has been reporting FMLOB metrics for IAF for the past two years. The Oracle platform provides real-time,

user-friendly financial reports. Since FY 2005, the IAF has been using GovTrip, the government-wide E-Gov Travel system integrating online booking with the automated authorization and vouchering process allowing travelers to attach receipts electronically.

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

Volunteer internships offer work experience to qualified undergraduate and graduate students from across the country, who assist in IAF's various offices. The IAF approved 10 internships in FY 2009. The IAF plans to continue working with Partners of the Americas to sponsor outstanding civil servants from Latin America and the Caribbean who spend between two and four months working in a federal agency. The Department of State covers all expenses of the program, while the host agency provides an assignment and a mentor. In FY 2009, a specialist in social programs from the Ministry of Planning and Cooperation in Santiago, Chile, worked for three months in the IAF's Evaluation Office.

The IAF continued to benefit from high-quality, low-cost domestic and international telephone services provided through its agreement with the General Services Administration's Federal Technology Service (GSA/FTS).

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

Performance Measure (efficiency) 6.2: Time spent in review and approval of grants proposals between receipt of proposals and the award of grants.

Based on information current through August, the average time spent in processing a grant in fiscal 2009 was 9.5 months, compared to 10 months in 2008.

I am pleased to introduce the IAF's FY 2009 financial statements, which reflect the IAF's quest to become increasingly innovative while adhering to its core principles.

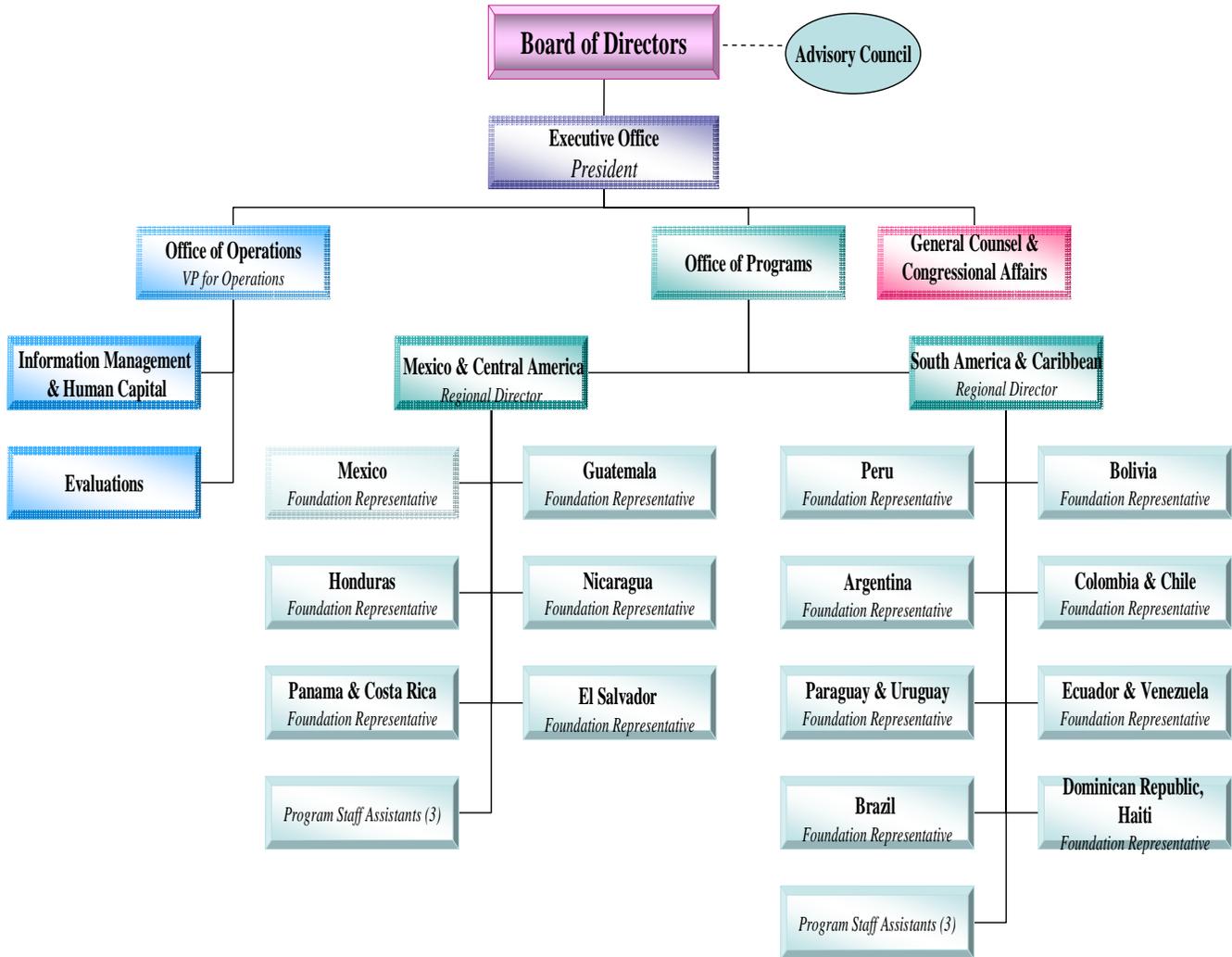
The financial statements and performance results data are complete, reliable and in accordance with the Office of Management and Budget (OMB) requirements and in conformity with generally accepted accounting principles. The IAF has appropriate management controls in place to ensure that all internal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

Signed:

/s/

Amb. Larry L. Palmer
President

Inter-American Foundation



MANAGEMENT DISCUSSION AND ANALYSIS

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

Mission and Organizational Requirements

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

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

The FY 2009 funding actions are divided among primary program areas as follows:

FY09 Grants by Program Area

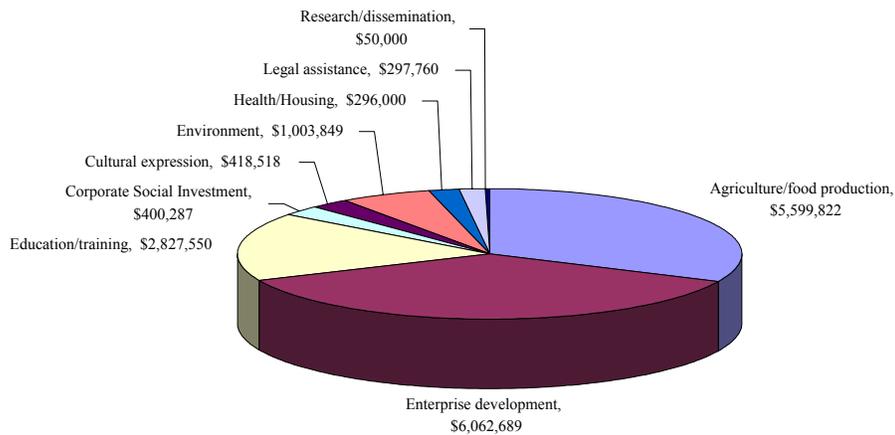


Table 3.2

FY09 GRANTS FUNDED BY PRIMARY PROGRAM AREA*

Program Area	IAF \$	Funding Actions
Agriculture/food production	\$ 5,599,822	32
Enterprise development	\$ 6,062,689	39
Education/training	\$ 2,827,550	30
Corporate Social Investment	\$ 400,287	2
Cultural expression	\$ 418,518	4
Environment	\$ 1,003,849	7
Health/Housing	\$ 296,000	1
Legal assistance	\$ 297,760	2
Research/dissemination	\$ 50,000	1
Total	\$ 16,956,475	118

The IAF's Goals and Performance Measures for FY 2011

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

Problem/need/challenge addressed: The IAF was created because of (1) the perception of poverty as the most serious threat to U.S. interests in Latin America and the Caribbean and (2) the realization that traditional foreign aid was not reaching the region's poor. The IAF's delivery of U.S. government assistance directly to the organized poor has proved both cost-effective and successful. However, desperate needs are still unmet and what macro-economic growth has occurred in the region has worsened glaring inequities. In addition to human suffering, the consequences have included uncontrolled migration, drug trafficking and instability that endangers the movement toward democracy, among other strategic concerns.

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

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

Performance Measure (output) 1.3: Accomplishments, reported by IAF grantees active in FY 2010 that improved the quality of life as evidenced by measurable indicators.

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

Problem/need/challenge addressed: Discrimination on the basis of race, ethnicity, disability and gender means that African descendants, indigenous peoples, people with disabilities and women are disproportionately represented among the poor in Latin America and the Caribbean and disproportionately excluded from civic life and social services. Studies confirm that young people as well are increasingly left behind, even during boom times.

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

Performance Measure (outcome) 2.2: Percentage of these grantees whose funding ends in FY 2011 that met or exceeded outcome goals specified for each project.

Performance Measure (output) 2.3: Events supported or organized to stimulate broader participation in the development process or engagement in democratic practices.

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

Problem/need/challenge addressed: A broader resource base is crucial to IAF's vision for a steady expansion of support for grassroots development.

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

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

Performance Measure (output) 3.3: Activities undertaken in partnership with other donors, including other federal agencies, interested in investing resources in grassroots development.

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

Problem/need/challenge addressed: No longer considered experimental, the IAF's responsive funding is increasingly recommended as the best way to improve the quality of life in marginalized communities. However, donors, policymakers and American taxpayers are not fully informed about poverty and inequality in Latin America and the Caribbean or about the effectiveness of bottom-up development, in which the organized poor take the initiative and do the work, as opposed to traditional top-down approaches.

Performance Measure (output) 4.1: Publications produced that disseminate the IAF's experiences and approach.

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

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

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

Problem/need/challenge addressed: In the context of the current economic crisis, economists warn of a rise in poverty in Latin America and the Caribbean, where poverty is already the norm, and of a reduction in resources that are already scarce. Meanwhile, costs, especially overhead expenses, are expected to escalate. The Social Progress Trust Fund is moving toward depletion and will be insufficient to offset program shortfalls.

The following cost-cutting measures will be in effect in FY 2011:

- Continued outsourcing key accounting, budgeting, travel and information technology services to BPD;
- Continued outsourcing of payroll and human resource services to NBC;
- The introduction of new technology and E-Gov initiatives to reduce the costs of enterprise network equipment and maintenance, human resource operations, travel and telecommunications;
- The relocation of IAF's data center to West Virginia, where BPD will replace IAF's current hardware inventory of 12 servers with four machines that will run 10-12 virtual servers, facilitating more efficient network management, data back-up and COOP system maintenance and testing;
- Bulk purchases of computer equipment through BPD;
- Conversion of all Official Personnel Folder (OPF) records to electronic format;
- Adoption of the Workforce Transformation and Tracking System (WTTS) and Entry on Duty Systems (EODS) which NBC is preparing for roll-out;
- Deployment of NBC's Talent Management System (TMS), with modules for learning management and performance management;
- Employee development through mentoring and coaching, online training, classes held by BPD and NBC, and the Small Agency Council training program of USDA Graduate School courses available at a reduced cost;
- Internships for between 10 and 15 university student-volunteers;
- Continued hosting and mentoring of outstanding civil servants from Latin America and the Caribbean, sponsored by Partners of the Americas and funded by the U.S. State Department for between two and four months;
- A new telecommunications agreement through the GSA-FTS, resulting in quality telephone services at a modest savings.

Performance Measure 5.1: Response to the increased demand for development and travel grants through effective planning and consolidation.

Performance Measure 5.2: Reduction in the portion of IAF's budget spent on overhead.

Accountability

The goals and strategies in this Strategic Plan were developed by IAF managers through a robust deliberative process. These goals and strategies continue to be discussed in semiannual meetings with the IAF board of directors, weekly meetings of officers and directors with the IAF president and monthly all-staff meetings. In addition, performance plans address individual employees' roles in reaching these goals and applying these strategies, and fulfillment of that role is taken into account in annual performance appraisals.

Results

The results/accomplishments of IAF's annual performance measures for FY 2009 can be found in the APR above.

Identification of Key Factors that Could Affect Achievement of General Goals and Objectives

The IAF works in poor, often remote, areas lacking infrastructure, vulnerable to health problems, weather and natural disasters, fragile agriculturally, and unstable politically. International phenomena such as markets, wars, and foreign investment also may affect planned activities. Yet only rarely do IAF-funded projects fail as a result of such factors.

Federal Managers' Financial Integrity Act and the Federal Financial Management Improvement Act

In accordance with applicable guidelines, the IAF submitted its Fiscal Year 2009 Assurances Statement relating to requirements imposed by Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA) to the USAID Office of the Inspector General.

The IAF, in conjunction with BPD, analyzed and evaluated its systems of management control and financial management under the FMFIA for the year ended September 30, 2009, according to the procedures and standards prescribed by the Office of Management and Budget and the Government Accountability Office. Based on this evaluation we found that our systems of management controls provide reasonable assurance that: programs are free from waste, fraud and mismanagement; laws and regulations are followed; our continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and our performance information is reliable as defined in OMB Circular A-11, Section 232.10. We further found that the IAF's financial management systems, in conjunction with those of BPD, meet the Federal government's management system objectives of usefulness, timeliness, reliability and completeness, comparability and consistency, and efficiency and economy. As a result, we conclude that there is reasonable assurance that the Inter-American Foundation complies with Sections 2 and 4 of the FMFIA.

We have no open or new material weakness or nonconformance to report; we have not discovered any material weakness or nonconformance during fiscal year 2009; and we do not have any significant deficiencies or second tier issues.

In addition, we have found that, for the year ended September 30, 2009, the Inter-American Foundation's administrative and fiscal accounting systems substantially comply with the requirements of the FFMIA.

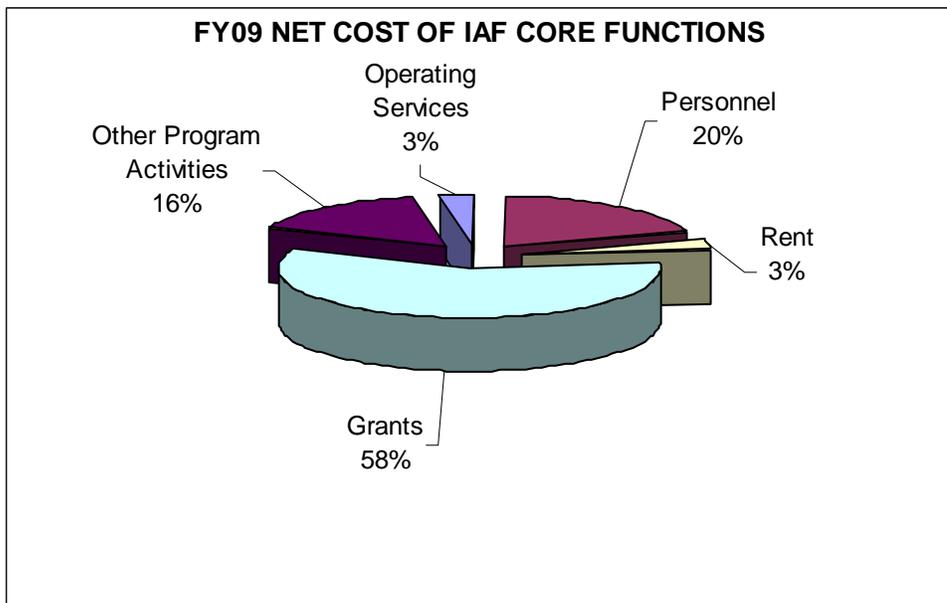
Analysis of Financial Statements and Stewardship Information

Systems, Controls, and Legal Compliance

Net Cost of Core Functions

The activity reported in the Statement of Net Cost reflects the resources used by the IAF during FY 2009. Program costs of \$26,036,693 reflected an increase of \$1,059,430 in resources used from the FY 2008 amount of \$24,977,263.

Personnel compensation and benefits increased from \$5,167,218 in fiscal 2008 to \$5,268,236 in fiscal 2009 reflecting an increase of \$101,018. In fiscal 2009, program-related Contractual Services used \$4,089,181 of IAF resources. The difference of \$556,614 from fiscal 2008 which reported \$4,645,795 in resources used reflects a decrease of approximately 14 percent.



Fund Balance with U.S. Treasury

Total resources available from the U.S. Treasury and other financing sources for fiscal 2009 and 2008 were \$37,598,386 and \$37,596,910, respectively. The difference of \$1,476 is due to a net increase in the Appropriation Fund.

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.



Inter-American Foundation

An Independent Agency of the U.S. Government

October 30, 2009

Letter from the Chief Financial Officer

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

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

Auditors from the USAID Office of the Inspector General (OIG) completed the annual independent assessment of the security infrastructure supporting IAF's enterprise network system and agency compliance with the Federal Information Security Management Act. A positive final FISMA audit report was received from the OIG auditors in September 2009.

The IAF is supporting the Financial Management Line of Business Initiative (FMLOB) by using BPD's Oracle Federal Financials System and related accounting and procurement services. In June 2007, BPD began reporting FMLOB metrics for IAF. The Oracle platform provides real-time, user-friendly financial reports. The IAF continues to receive unqualified audit opinions of its financial statements, internal controls over financial reporting, and its compliance with laws and regulations.

The IAF, in conjunction with BPD, analyzed and evaluated its systems of management control and financial management under the Federal Managers' Financial Integrity Act (FMFIA) for the year ended September 30, 2009, according to the procedures and standards prescribed by the Office of Management and Budget (OMB) and the Government Accountability Office. Based on this evaluation we found that our systems of management controls provide reasonable assurance that: programs are free from

waste, fraud and mismanagement; laws and regulations are followed; our continuity of operations planning in critical areas is sufficient to reduce risk to reasonable levels; and our performance information is reliable as defined in OMB Circular A-11, Section 232.10. We further found that the IAF's financial management systems, in conjunction with those of BPD, meet the Federal government's management system objectives of usefulness, timeliness, reliability and completeness, comparability and consistency, and efficiency and economy. As a result, we conclude that there is reasonable assurance that the Inter-American Foundation complies with Sections 2 and 4 of the FMFIA.

We have no open or new material weakness or nonconformance to report; we have not discovered any material weakness or nonconformance during fiscal year 2009; and we do not have any open reportable conditions or second tier issues. In addition, we have found that, for the year ended September 30, 2009, the Inter-American Foundation's administrative and fiscal accounting systems substantially comply with the requirements of the Federal Financial Management Improvement Act (FFMIA).

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

Signed:

/s/

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



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

INTER-AMERICAN FOUNDATION
Washington, D.C.

We have audited the accompanying balance sheet of the Inter-American Foundation (IAF) as of September 30, 2009, and the related statements of net cost, changes in net position, and budgetary resources, for the year then ended (collectively referred to as the financial statements). These financial statements are the responsibility of IAF's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Inter-American Foundation as of September 30, 2008 were audited by other auditors whose report dated November 14, 2008, expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the IAF as of September 30, 2009 and 2008 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, we have also issued a report dated November 5, 2009 on our consideration of the IAF internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

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

Largo, Maryland
November 5, 2009

LARGO
1101 MERCANTILE LANE, SUITE 122
LARGO, MD 20774
(240) 492-1400 • FAX: (301) 773-2090
mail@brownco-cpas.com

27

RICHMOND
1504 SANTA ROSA ROAD, SUITE 107
RICHMOND, VA 23229
(804) 288-2006 • FAX: (804) 288-2233
tdavis@brownco-cpas.com



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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

INTER-AMERICAN FOUNDATION
Washington, D.C.

We have audited the financial statements of the Inter-American Foundation (IAF) as of and for the year ended September 30, 2009 and have issued our report thereon dated November 5, 2009. 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 *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

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

Largo, Maryland
November 5, 2009

LARGO
1101 MERCANTILE LANE, SUITE 122
LARGO, MD 20774
(240) 492-1400 • FAX: (301) 773-2090
mail@brownco-cpas.com

RICHMOND
1504 SANTA ROSA ROAD, SUITE 107
RICHMOND, VA 23229
(804) 288-2006 • FAX: (804) 288-2233
tdavis@brownco-caps.com



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

INTER-AMERICAN FOUNDATION
Washington, D.C.

We have audited the financial statements of the Inter-American Foundation (IAF) as of and for the year ended September 30, 2009, and have issued our report thereon dated November 5, 2009. 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 *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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

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

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

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

Brown & Company

Largo, Maryland
November 5, 2009

INTER-AMERICAN FOUNDATION
BALANCE SHEET
As Of September 30, 2009 and 2008
(In Dollars)

	2009	2008
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 37,598,386	\$ 37,596,910
Advances and Prepayments (Note 4)	48,378	14,159
Total Intragovernmental	37,646,764	37,611,069
Accounts Receivable (Note 3)	115	178
General Property, Plant and Equipment, Net (Note 5)	-	-
Advances and Prepayments (Note 4)	1,423,604	-
Total Assets	\$ 39,070,483	\$ 37,611,247
Liabilities:		
Intragovernmental:		
Accounts Payable (Note 6)	\$ 75,535	\$ 224,340
Other (Note 6)	51,789	42,461
Total Intragovernmental	127,324	266,801
Accounts Payable (Note 6)	511,029	743,948
Other (Note 6)	570,824	479,302
Total Liabilities	\$ 1,209,177	\$ 1,490,051
Net Position:		
Unexpended Appropriations - Other Funds	\$ 22,609,925	\$ 19,507,588
Cumulative Results of Operations - Earmarked Funds (Note 15)	15,630,157	16,937,111
Cumulative Results of Operations - Other Funds	(378,776)	(323,503)
Total Net Position	\$ 37,861,306	\$ 36,121,196
Total Liabilities and Net Position	\$ 39,070,483	\$ 37,611,247

The accompanying notes are an integral part of these statements.

INTER-AMERICAN FOUNDATION
STATEMENT OF NET COST
For The Years Ended September 30, 2009 and 2008
(In Dollars)

	2009	2008
Program Costs:		
Foreign Grant Program:		
Gross Costs (Note 9)	\$ 26,036,693	\$ 24,977,263
Net Program Costs	\$ 26,036,693	\$ 24,977,263
Net Cost of Operations	\$ 26,036,693	\$ 24,977,263

The accompanying notes are an integral part of these statements.

INTER-AMERICAN FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2009 and 2008
(In Dollars)

	2009		2009		2008		2008	
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds
Cumulative Results of Operations:								
Beginning Balances	\$ 16,937,111	\$ (323,503)	\$ 16,613,608	\$ 16,328,662	\$ (311,758)	\$ 16,016,904		
Budgetary Financing Sources:								
Appropriations Used	-	18,857,905	18,857,905	-	18,450,523	18,450,523		
Donations and Forfeitures of Cash	-	-	-	2,250	-	2,250		
Other	5,482,190	-	5,482,190	6,803,003	-	6,803,003		
Other Financing Sources (Non-Exchange):								
Imputed Financing Sources	-	334,371	334,371	-	318,191	318,191		
Total Financing Sources	5,482,190	19,192,276	24,674,466	6,805,253	18,768,714	25,573,967		
Cost of Operations	6,789,144	19,247,549	26,036,693	6,196,804	18,780,459	24,977,263		
Net Change	(1,306,954)	(55,273)	(1,362,227)	608,449	(11,745)	596,704		
Cumulative Results of Operations	\$ 15,630,157	\$ (378,776)	\$ 15,251,381	\$ 16,937,111	\$ (323,503)	\$ 16,613,608		
Unexpended Appropriations:								
Beginning Balances	\$ -	\$ 19,507,588	\$ 19,507,588	\$ -	\$ 17,128,211	\$ 17,128,211		
Budgetary Financing Sources:								
Appropriations Received	-	22,500,000	22,500,000	-	21,000,000	21,000,000		
Other Adjustments	-	(539,758)	(539,758)	-	(170,100)	(170,100)		
Appropriations Used	-	(18,857,905)	(18,857,905)	-	(18,450,523)	(18,450,523)		
Total Budgetary Financing Sources	-	3,102,337	3,102,337	-	2,379,377	2,379,377		
Total Unexpended Appropriations	\$ -	\$ 22,609,925	\$ 22,609,925	\$ -	\$ 19,507,588	\$ 19,507,588		
Net Position	\$ 15,630,157	\$ 22,231,149	\$ 37,861,306	\$ 16,937,111	\$ 19,184,085	\$ 36,121,196		

The accompanying notes are an integral part of these statements.

INTER-AMERICAN FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
For The Years Ended September 30, 2009 and 2008
(In Dollars)

	2009	2008
Budgetary Resources:		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 8,071,367	\$ 7,588,848
Recoveries of Prior Year Unpaid Obligations	1,695,727	1,998,327
Budget Authority		
Appropriation	22,500,000	21,000,000
Spending Authority From Offsetting Collections		
Collected	5,482,190	6,805,253
Subtotal	27,982,190	27,805,253
Permanently Not Available	539,758	170,100
Total Budgetary Resources	\$ 37,209,526	\$ 37,222,328
Status of Budgetary Resources:		
Obligations Incurred		
Direct	\$ 29,602,267	\$ 29,150,961
Unobligated Balance		
Apportioned	657,529	131,805
Unobligated Balance Not Available	6,949,730	7,939,562
Total Status of Budgetary Resources	\$ 37,209,526	\$ 37,222,328
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 29,525,543	\$ 27,025,842
Obligations Incurred Net	29,602,267	29,150,961
Less: Gross Outlays	27,440,956	24,652,933
Less: Recoveries of Prior Year Unpaid		
Obligations, Actual	1,695,727	1,998,327
Obligated Balance, Net, End of Period		
Unpaid obligations	29,991,127	29,525,543
Total, Unpaid Obligated Balance, Net, End of Period	\$ 29,991,127	\$ 29,525,543
Net Outlays:		
Net Outlays:		
Gross Outlays	\$ 27,440,956	\$ 24,652,933
Less: Offsetting Collections	5,482,190	6,805,253
Net Outlays	\$ 21,958,766	\$ 17,847,680

The accompanying notes are an integral part of these statements.



INTER-AMERICAN FOUNDATION NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basis of Presentation

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

Requirements, and 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 statements consist of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary Resources. In accordance with OMB Circular A-136, the financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Budgets and Budgetary Accounting

Congress enacts appropriations to permit the IAF to incur obligations for authorized purposes. In fiscal years 2009 and 2008, the IAF was accountable for the Social Progress Trust Fund (SPTF), Gift Fund, and General Fund appropriations. The IAF recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants and transfers from the Inter-American Development Bank (IDB).

D. Basis of Accounting

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

E. Revenues & Other Financing Sources

The IAF's grant program is funded by appropriation from the budget of the United States, agreement with the Inter-American Development Bank covering the SPTF, and donations from the private sector. No-year appropriations remain available until expended, while multi-year appropriations are available for the period prescribed by the applicable statute. Appropriations are used, within statutory limits, for programmatic, operating and capital expenditures for essential personal property. Appropriations are recognized as a financing source when expended. Appropriations expended for capitalized property and equipment are recognized as expense when an asset is consumed in operations.

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

Pursuant to a 1973 amendment to the Foreign Assistance Act of 1961, IDB provides funds to finance social development projects. These funds are made available in U.S. dollars upon request by the IAF, subject to denomination

availability and exchange controls. In 2002, the SPTF agreement was amended to make available all remaining funds until exhausted.

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

F. Taxes

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

G. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds with the Department of the Treasury primarily represent appropriated funds and SPTF collections that are available to pay current liabilities and finance authorized purchase commitments and SPTF grants. The IAF does not maintain cash in commercial bank accounts or foreign currency balances. Foreign currency payments are made either by Treasury or the Department of the State and are reported by the IAF in U.S. dollar equivalents. See Note 2 for additional information.

H. Accounts Receivable

Accounts receivable consists of amounts owed to the IAF by other Federal agencies and the 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. See Note 3 for additional information.

I. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. IAF's capitalization threshold is \$50,000 for individual purchases and \$500,000 for bulk purchases. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment and software. The useful life classifications for capitalized assets are as follows:

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

J. Advances and Prepaid Charges

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

K. Liabilities

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

sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

L. Accounts Payable

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

M. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. 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 the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of Federal Employee's Retirement System (FERS)-covered employees.

N. Retirement Plans

The IAF's employees participate in the (CSRS) or the (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected to join either FERS and Social Security or remain in CSRS. 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 communicates 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.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established and the IAF makes a mandatory 1 percent contribution to this account. In addition, the IAF makes matching contributions, ranging from 1 to 4 percent, for FERS eligible employees who contribute to their TSP accounts. In accordance with Federal employee benefit policies, matching contributions are not made to the TSP accounts established by CSRS employees.

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's contribution to the employee pension plan was \$508,862 for fiscal year 2009 and \$494,309 for fiscal year 2008. In addition, the IAF costs for health and life insurance were \$424,835 for fiscal year 2009 and \$414,969 for fiscal year 2008.

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

O. Grant Disbursements and Administrative Expenses

Grant disbursements include payments in advance of performance under contractual obligations. Evidence of performance is determined by review of periodic expenditure reports. All of the IAF expenditures for grants over \$35,000 are independently verified using

the IAF's audit guidelines. The IAF's administrative expenses are funded solely by appropriated funds.

For two years prior to FY09, IAF did not estimate grant advances. In FY09, IAF began estimating grant advances by multiplying the grants disbursed during the quarter by 50%. This estimate will be done each quarter to determine the amount of grant disbursements to be accounted for as grant advances in the Balance Sheet. See Note 4 for additional information.

P. Use of Estimates

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

Q. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The IAF recognized imputed costs and financing sources in fiscal years 2009 and 2008 to the extent directed by OMB.

R. Non-Entity Assets and Liabilities

The IAF did not hold any Non-Entity assets or liabilities as of September 30, 2009 and 2008.

S. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five

fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2009 and 2008 were as follows:

Fund Balances:

	2009	2008
Appropriated Funds	\$ 22,659,429	\$ 20,659,799
Gift Fund	-	-
Social Progress Trust Fund (SPTF)	14,938,957	16,937,111
Total	\$ 37,598,386	\$ 37,596,910

Status of Fund Balance with Treasury:

	2009	2008
Unobligated Balance includes SPTF		
Available	\$ 657,529	\$ 131,805
Unavailable	6,949,730	7,939,562
Obligated Balance Not Yet Disbursed	29,991,127	29,525,543
Total	\$ 37,598,386	\$ 37,596,910

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2009 and 2008 were as follows:

	2009	2008
With the Public		
Accounts Receivable	\$ 115	\$ 178
Total Accounts Receivable	\$ 115	\$ 178

The accounts receivable is primarily made up of employee receivables. Historical experience has indicated that most of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2009 and 2008.

NOTE 4. ADVANCES AND PREPAYMENTS

Advance and Prepayment account balances as of September 30, 2009 and 2008 were as follows:

	2009	2008
Intragovernmental		
Advances and Prepayments	\$ 48,378	\$ 14,159
With the Public		
Grant Advances	1,423,604	-
Total Advances and Prepayments	\$ 1,471,982	\$ 14,159

Intragovernmental advances and prepayments represent advance payments to other Federal Government entities for agency expenses not yet incurred, or for goods or services not yet received.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Property, equipment, and software account balances as of September 30, 2009 and 2008 were as follows:

Schedule of Property, Equipment, and Software as of September 30, 2009

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
ADP Equipment	\$ 22,502	\$ 22,502	\$ -
Office Furniture	36,894	36,894	-
Total	\$ 59,396	\$ 59,396	\$ -

Schedule of Property, Equipment, and Software as of September 30, 2008

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
ADP Equipment	\$ 27,000	\$ 27,000	\$ -
Office Furniture	37,987	37,987	-
Total	\$ 64,987	\$ 64,987	\$ -

NOTE 6. LIABILITIES

The accrued liabilities for the IAF are comprised of program expense accruals, payroll accruals, and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid.

	2009	2008
Intragovernmental:		
Accounts Payable	\$ 75,535	\$ 224,340
Payroll Taxes Payable	51,789	42,461
Total Intragovernmental	127,324	266,801
Program Expenses:		
Rent	72,604	-
Staff Travel, Training, Printing, Supplies	64,386	52,279
Postage and Freight	-	330
Maintenance of Equipment	6,910	16,185
Communications and Mail Services	6,069	5,017
Supplies & non-capitalized equipment	4,071	329
Local Advisory service contracts - grantees	157,752	392,862
Grant Audits	31,789	165,460
Misc. Services Program	32,215	8,672
Misc. Services, Program Support	135,233	102,814
Total Program Expenses	511,029	743,948
Payroll Accrual	191,932	155,620
Total Liabilities Covered by Budgetary Resources	830,285	1,166,369
Liabilities not Covered by Budgetary Resources:		
Unfunded Leave	378,892	323,682
Total Liabilities	\$ 1,209,177	\$ 1,490,051

NOTE 7. COMMITMENTS AND CONTINGENCIES

In the course of its 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, 2009 and 2008 total approximately \$25,625,631 and \$25,966,032, respectively. As of September 30, 2009 and 2008, there were no obligations due to canceled appropriations for which there is a contractual commitment for payment.

NOTE 8. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the periods ended September 30, 2009 and 2008, undelivered orders amounted to \$30,632,823 and \$28,359,173, respectively.

NOTE 9. PROGRAM COSTS

Costs by major budget object classification as of September 30, 2009 and 2008 are as follows:

	2009	2008
Budget Object Classifications:		
Personnel Compensation	\$ 3,930,532	\$ 3,874,565
Personnel Benefits - Other	404,008	383,374
Pension - CSRS	144,758	138,095
Pension - FERS	364,104	356,214
Health Insurance	418,224	408,432
Life Insurance	6,610	6,538
Travel and Transportation of Persons	491,098	563,478
Transportation of Things	15,341	9,766
Rents, Communication, Utilities and Misc.	770,298	709,283
Printing and Reproduction	177,919	251,131
Other Services	4,089,181	4,645,795
Supplies and Materials	44,797	149,054
Equipment	20,036	16,607
Grants, Subsidies, and Contributions	15,159,787	13,464,931
Total Program Costs	\$ 26,036,693	\$ 24,977,263

NOTE 10. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on the IAF's Balance Sheet as of September 30, 2009 and 2008 include liabilities not covered by budgetary resources, which are liabilities for which 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. Unfunded FECA liability is an intragovernmental liability not covered by budgetary resources. Other liabilities not covered by budgetary resources consist of unfunded leave. Unfunded leave balances are \$378,892 and \$323,682 as of September 30, 2009 and 2008, respectively.

NOTE 11. 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, the OPM. For the fiscal years ended September 30, 2009 and 2008, imputed financing was \$334,371 and \$318,191, respectively.

NOTE 12. FINANCING SOURCES - SPTF

The Reconciliation of Net Cost of Operations to Budget Note reconciles the financial Net Cost of Operations with the Statement of Budgetary Resources. The IAF reports SPTF funds obtained from the IDB as offsetting collections earned. The IAF had no exchange revenue in fiscal year 2009 or 2008. For fiscal year 2009 and 2008, the IAF received \$5,482,190 and \$6,803,003 respectively, from the IDB, which was reported on its SF-133 as funds received from SPTF collections.

	2009	2008
SPTF Cumulative Results:		
SPTF Beginning Balance	\$ 16,937,111	\$ 16,294,968
SPTF Funds Received	5,482,190	6,803,003
Less: SPTF Funds Expended	6,789,144	6,160,860
SPTF Fund Carry Forward	15,630,157	16,937,111
Donations Cumulative Results:		
Donations Beginning Balance	-	33,694
Donations Received	-	2,250
Less: Donations Expended	-	35,944
Donations Carry Forward	-	-
Total SPTF and Donations	15,630,157	16,937,111
Less: Cumulative Results of Operations – All Other Funds	378,776	323,503
Total Cumulative Results of Operations	\$ 15,251,381	\$ 16,613,608

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include FY09 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2010 and can be found at the OMB Web site. <http://www.whitehouse.gov/omb> The 2010 Budget of the United States Government, with the actual column completed for 2008 has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. OPERATING LEASE

The IAF occupies office space under a lease agreement, which is accounted for as an operating lease. The IAF entered into a lease agreement that will expire on April 30, 2012. Lease payments are increased annually based on the IAF's proportionate share of the building's operating expenses and real estate taxes. The new agreement allows the IAF an abatement credit in lieu of a build-out allowance that will be deducted from the monthly rent for the first 26 months of the lease. Total net rental expense for fiscal years 2009 and 2008 were \$715,096 and \$664,308 respectively. Following is a schedule of future payments for the term of the lease.

Fiscal Year	Office Space
2010	\$ 720,898
2011	736,770
2012	440,095
Total Future Payments	\$ 1,897,763

NOTE 15. EARMARKED FUNDS

Schedule of Earmarked Funds as of September 30, 2009 and 2008 are as follows:

	2009	2008
Balance Sheet as of September 30		
Assets:		
Fund Balance with Treasury	\$ 14,938,956	\$ 16,937,111
Other Assets	691,201	-
Total Assets	15,630,157	16,937,111
Liabilities: None		
Net Position:		
Cumulative Results of Operations – Earmarked Funds	15,630,157	16,937,111
Total Net Position	15,630,157	16,937,111
Total Liabilities and Net Position	15,630,157	16,937,111
Statement of Net Cost for the Period Ended September 30		
Program Costs:		
Gross Costs	6,789,144	6,196,804
Less: Total Non-Exchange Revenue	5,482,190	6,805,253
Net Cost of Operations	1,306,954	(608,449)
Statement of Changes in Net Position For the Period Ended September 30		
Net Position Beginning of Period	16,937,111	16,328,662
Net Cost of Operations	1,306,954	(608,449)
Net Position End of Period	\$ 15,630,157	\$ 16,937,111

NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

	2009	2008
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$29,602,267	\$29,150,961
Less: Spending Authority from Offsetting Collections and Recoveries	7,177,917	8,803,580
Obligations Net of Offsetting Collections and Recoveries	22,424,350	20,347,381
Other Resources		
Donations and Forfeitures of Property	-	2,250
Imputed Financing from Costs Absorbed by Others	334,371	318,191
Net Other Resources Used to Finance Activities	334,371	320,441
Total Resources Used to Finance Activities	22,758,721	20,667,822
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered But Not Yet Provided	2,259,489	2,505,308
Resources That Fund Expenses Recognized in Prior Periods	(62)	(717)
Other	(5,482,190)	(6,803,003)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(3,222,763)	(4,298,412)
Total Resources Used to Finance the Net Cost of Operations	25,981,484	24,966,234
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	55,209	10,846
Total Components of Net Cost of Operations That will Require or Generate Resources in Future Periods	55,209	10,846
Components Not Requiring or Generating Resources		
Depreciation and Amortization	-	183
Total Components of Net Cost of Operations That will not Require or Generate Resources	-	183
Total Components of Net Cost of Operations That will not Require Generate Resources in the Current Period	55,209	11,029
NET COST OF OPERATIONS	\$26,036,693	\$24,977,263

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