



OFFICE OF INSPECTOR GENERAL

AUDIT OF INTER-AMERICAN FOUNDATION FINANCIAL STATEMENTS FOR FISCAL YEARS 2010 AND 2009

AUDIT REPORT NO. 0-IAF-11-003-C
November 15, 2010

WASHINGTON, DC



Office of Inspector General

November 15, 2010

MEMORANDUM

TO: IAF President, Amb. Larry L. Palmer

FROM: *JF* Joseph Farinella, AIG/A *Melinda G. Dempsey*

SUBJECT: Audit of the Inter-American Foundation's Financial Statements for Fiscal Years 2010 and 2009 (Audit Report No. 0-IAF-11-003-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 the Financial Statements as of September 30, 2010 and 2009 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 2010 audited financial statements, and notes. The report states that the Financial Statements presented fairly in all material respects IAF's financial position, the net cost of operations, the changes in net position, and budgetary resources for the years ended September 30, 2010, and 2009, 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 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 which 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 reports dated November 8, 2010 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 AUDITOR'S REPORT

For the Fiscal Years Ended September 30, 2010 And 2009



**INTER-AMERICAN FOUNDATION
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009**

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Inter-American Foundation

An Independent Agency of the U.S. Government

PERFORMANCE AND ACCOUNTABILITY REPORT (PAR)

Message from the President

The Inter-American Foundation (IAF), an independent foreign assistance agency of the United States government, provides grants to grassroots organizations in Latin America and the Caribbean. Created in 1969 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 15.

Poverty is, in fact, at the root of the most serious challenges the United States faces in our relations with the countries of Latin America and the Caribbean. Given this reality, the IAF serves a unique and essential function as a conduit for channeling U.S. government development assistance directly to the poor. The IAF is effective because it

- responds to the best ideas emerging from the grassroots,
- invests modest awards that yield high returns and reduce risk,
- operates with minimal bureaucracy,
- remains flexible in the face of change, and
- provides a presence on the ground, keeping the lines of communication open even when bilateral relations are strained.

ANNUAL PERFORMANCE REPORT (APR)

Accomplishments of the Annual Performance Measures for FY 2010 from the IAF's Strategic Plan

In FY 2010 the Inter-American Foundation received an appropriation of \$23 million for program and program support activities, which was supplemented by \$5.9 million from the Social Progress Trust Fund for development grants and by \$156,000 in carry-over funds. The total budget was \$29.1 million.

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

Performance Measure 1.1: 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 in FY 2010 and awarded 75 grants to grassroots and nongovernmental organizations. Some grantees plan to address access to and conservation of water for consumption and agriculture. Others will improve opportunities for farmers and microentrepreneurs, including those in sectors that have been historically excluded from economic development, by offering training, technical assistance and credit that should help them increase income. Grantees will further organic agricultural production, the processing of a variety of crops and the development of services compatible with the responsible use of the environment, such as ecotourism. The IAF also amended awards to 46 organizations funded in prior years. IAF's 2010 portfolio includes 21 countries.

Notably, these grants included the IAF's rapid response to nine organizations in Haiti and Chile that were either at the epicenter of the severe earthquakes early in calendar 2010 or were spared from the devastation only to be pressed into service as relief agencies. The grant awarded to The Nonprofit Enterprise and Self-Sustainability Team (NESsT) will extend credit to small businesses and microenterprises in Chile to apply toward their recovery. Eight Haitian organizations used or will use new and supplementary grants to replace equipment and infrastructure, purchase supplies necessary to restart production and to address the basic needs of displaced school-age children, including the means to finish the school year, and of mothers of infants born immediately after the quake.

Performance Measure 1.2: Percentage of grantees whose funding ends or ended in FY 2010 that met or exceeded outcome goals specified for each project.

Of 56 grantees whose funding terminated in FY 2010, 86 percent met or exceeded goals related to, inter alia, extending the reach of microcredit; offering technical assistance to farmers toward better yields for a more reliable food supply and toward organic certification; constructing and equipping

plants to process quinoa and honey; furthering access to public education and health care options, trash collection, water and electric power, and services for the disabled; and organizing sports programs as a deterrence to delinquency.

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

Data gathered in the 12-month period ending in September 2010 reveal the following results of the IAF's investment in grassroots development:

- More than 8,350 individuals improved their diet.
- More than 14,500 individuals received medical attention.
- More than 6,800 individuals benefited from access to clean water.
- IAF grantees helped improve close to 300 homes.
- Registration in training in agriculture counted more than 14,500 individuals; in the legal system, approximately 9,400; in skills related to manufacturing, close to 9,000; and in topics related to planning and management, more than 8,100.
- IAF grantees created 514 full-time and 582 part-time permanent positions and 512 full-time and 2,071 part-time seasonal positions.
- Organizations with a formal or informal relationship with IAF grantees totaled 1,470.
- Of the 1,470 organizations cooperating with IAF grantees, 448 became partners during FY 2009.
- Grantees mobilized close to \$3.3 million and brokered another \$300,000 supporting their activities, or a total of \$3.6 million (\$2.8 million in cash and \$800,000 in kind).
- Grantees received more than \$400,000 from businesses, mostly in cash; local governments contributed more than \$300,000.
- International nonprofit organizations contributed close to \$500,000 in cash and approximately \$130,000 in kind to IAF grantees.
- IAF grantees extended more than 7,000 loans; they averaged \$972 each. Loans for business development represented 48 percent of the total and averaged \$1,289 each.
- In 16 of the 18 countries where the IAF funds projects, grantees disseminated information on their approaches, practices and/or techniques. Grantees in Haiti and Venezuela were the exceptions.

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

Performance Measure 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 awarded new grants or supplements to 80 organizations whose programs benefit African descendants, indigenous peoples, persons with disabilities, women and young people.

The IAF awarded 20 new grants and 11 supplemental grants to organizations serving **African descendants** in Belize, Brazil, Colombia, the Dominican Republic, Ecuador, Haiti, Honduras, Jamaica, Mexico, Panama and Peru for a total value of **\$3.2 million**. Grantees will focus on earthquake relief, nutrition, access to credit, territorial rights and the development of job, farming and academic skills, among other priorities. An amendment to the IAF's cooperative agreement with Instituto Ethos will fund a study of the role of race and gender in the personnel practices of the 500 largest Brazilian companies.

The IAF's long history of support for **indigenous Latin Americans** continued in 2010 with awards (valued at **\$6.5 million**) to 23 new grantees and to 17 grantees from prior years in Belize, Bolivia, Costa Rica, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay and Peru. Projects funded include microcredit, agro-forestry, water conservation, the organic cultivation of native crops and the development of enterprises focused on ecotourism, food- processing and craft production. Additionally, 2010 grantee Fundación Natura will work to improve relations between African descendants and indigenous Colombians.

A grant (valued at \$290,000) to Fundación Red de Sobrevivientes, formerly called the Landmine Survivors Network-El Salvador, will help Salvadorans with **disabilities** develop their grassroots associations and improve their income.

The IAF awarded 15 grants and eight supplements (valued at **\$3 million**) to organizations that offer **young people** cultural and educational opportunities, vocational training and support for their enterprises as well as programs in organic gardening and nutrition in Belize, Brazil, Costa Rica, the Dominican Republic, Ecuador, Haiti, Honduras, Jamaica, Mexico, Nicaragua and Panama.

Thirty new and supplemental grants (valued at **\$2.9 million**) were awarded to organizations with projects primarily serving **women and girls**, including those of African and indigenous descent, in Bolivia, Brazil, Colombia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Peru, Uruguay and Panama. Projects are expected to improve education, health care, access to microcredit, civic participation and income from crafts, sewing and canning as well as from nontraditional fields such as the construction trades and ecotourism. See also the reference to Instituto Ethos in the first paragraph under this Performance Measure, *supra*. Not included in this

list are new grantees Federación Comercializadora de Café Especial de Guatemala and Alianza Sierra Madre and supplemental grantee Haitian Partners for Christian Development whose projects each include a component specifically targeting women.

Performance Measure 2.2: Percentage of these grantees whose funding ends or ended in FY 2010 that met or exceeded outcome goals specified for each project.

Results for specific subsets of IAF grantees were not calculated for FY 2010.

Performance Measure 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 the inclusion of African descendants and persons with disabilities. A partial listing follows:

- FY 2010 was the second year of IAF's collaboration with the U.S. Department of State and the Brazilian government on the **U.S.-Brazil Joint Action Plan to Eliminate Racial and Ethnic Discrimination and Promote Equality**. The IAF's participation this year included funding eight Brazilian representatives of civil society at two steering committee meetings and brokering an agreement between the U.S. Embassy in Brasilia and a current IAF grantee for the administration of a fund totaling \$300,000 to finance subgrants for grassroots organizations promoting equality. The Department of State has invited the IAF to participate in a similar initiative with the Colombian government.
- In May, former grantee Mundo Afro invited representatives of municipalities in Chile, Bolivia, Peru, Brazil, Ecuador, Uruguay and Colombia to discuss race relations at a **follow-up to last year's Primer Foro Regional de Organismos Municipales de Equidad Racial e Igualdad de Oportunidades**, also sponsored by the IAF. The city of Tumaco, Colombia, hosted the meetings that resulted in agreements to cooperate on antidiscrimination policies as well as training and programs in tourism, health care, information technology and programs.
- In April, **"The Afrolatin@ Experience: An Exploration of Identity in the Americas,"** a series of events celebrating the IAF's 40th anniversary "brought together Karen Vargas of the Honduran Ethnic Community Development Organization (ODECO), Paola Ortiz Murillo of the Americas Afrodescendent Youth Circle and members of the New York-based afrolatin@ forum to share perspectives at Hostos Community College, Borough of Manhattan Community College, NYU and El Museo del Barrio. The IAF's commemorative photo exhibit "Toward Full Inclusion: The Inter-American Foundation and the Hemisphere's African Descendants" remained at Hostos through June.

- Representatives of IAF grantees serving African descendants in Central America, Puerto Rico and Mexico spoke of their organizations' concerns at the annual conference of the **National Council of La Raza (NCLR)** held in July in San Antonio, Texas.
- Twenty five women from Red de Mujeres Afrolatinoamericanas, Afrocaribeñas y de la Diáspora participated in **meetings in Nicaragua and Peru in preparation for their attendance at the General Assembly of the Organization of American States (OAS)**.
- Cosponsored by Global Rights Partners for Justice, African descendent representatives of civil society organizations **attended events directed at assuring inclusion of their constituents' concerns on the OAS agenda**.
- Ana Nuñez of former Peruvian grantee Asociación Pro Derechos Humanos (APRODEH) discussed the successes and challenges of people with psychiatric disabilities in grassroots organizations at the **Primer Congreso Internacional sobre Discapacidad y Derechos Humanos** held in Buenos Aires in June.
- Representatives of disabled people's organizations gathered in April in San Salvador at an **IAF-cosponsored event running parallel to the Third Meeting of the Committee for the Elimination of All Forms of Discrimination against Persons with Disabilities**, organized by the OAS. They also shared their perspective with the OAS officials considering convention against such discrimination that would apply hemisphere-wide.

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

This measure incorporates a PART Goal. Because PART is no longer applicable, this survey is no longer required.

Goal Three: *Draw more resources into grassroots development.*

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

During FY 2010, IAF grantees raised **\$3.6 million** beyond the counterpart they are required to contribute to their IAF-funded projects. This amount included \$3.3 million in cash and in kind mobilized from external sources to support the grantees' work and another \$300,000 that was channeled directly to their beneficiaries, bypassing the organizations.

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

The IAF-initiated Inter-American Network of Corporate Foundations and Actions for Grassroots Development (RedEAmérica) had 27 members when it was launched in 2002. **In 2010, it counts 64 companies and corporate foundations.** Membership has therefore remained stable since 2009 (when the count was erroneously reported at 68 due to ambiguities in four companies' status as official members).

Performance Measure 3.3: The dollar amount of resources invested in grassroots development through RedEAmérica.

Pursuant to the terms of their respective funding agreements with the Inter-American Foundation entered into in previous years, nine members of RedEAmérica contributed **\$500,000 in required counterpart**, reflecting a match of \$2 for every \$1 invested by the IAF in grassroots projects that those members supported. These same members raised an **additional \$69,419** from other corporate sources to support these programs. Two 2010 supplemental awards benefitting RedEAmérica programs commit these grantees to a future contribution of \$500,000.

Performance Measure 3.4: Activities to encourage the investment of resources in development partnerships.

In 2010 the IAF worked through various channels to encourage development partnerships:

U.S. Government Agencies. In 2010 the IAF and the **Department of State entered into an Interagency Acquisition Agreement (IAA) to assist third-country governments and partner organizations with social services in furtherance of the Inter-American Social Protection Network (IASPN).** The IAA transfers \$850,000 from the State Department to the IAF for a program offering training and technical assistance to improve health care, education, poverty reduction initiatives and socioeconomic inclusion. Initial participants include government agencies and civil society organizations from Chile and Paraguay. See also the first bullet under Performance Measure 2.3 , *supra*, describing the IAF's work with the U.S.-Brazil Joint Action Plan.

Cooperative Agreements. The IAF's cooperative agreements with **Federação das Indústrias do Rio de Janeiro (FIRJAN)** and the **International Guarantee Fund (IGF)** will allow these successful partnerships to continue to bring new resources into grassroots development. As amended in 2010, the IAF's cooperative agreement with FIRJAN requires the members of the Brazilian federation to match the IAF's supplementary contribution to its subgrant fund, resulting in support for an additional 10 grassroots organizations in the state of Rio de Janeiro. In 2010, the IAF entered into a second five-year cooperative agreement with the IGF. Under the first agreement, signed in mid-2004, the two organizations created the Latin America International Guarantee Fund (LAIGF), initially capitalized with \$400,000. LAIGF acts as a guarantor of loans extended to nongovernmental organizations, including cooperatives, engaged in microfinance, agriculture, crafts

production and sales, and other initiatives focused on improving income. The IGF has raised funds for the LAIGF, including, most notably \$2,203,200 from the official aid agency Agencia de Cooperación para el Desarrollo Internacional de España. LAIGF subsequently used its \$3.75 million in liquid assets to leverage \$9 million from local banks for loan guarantees.

Development Grants. Three new grants are expected to result in support from new partners. New grantee **NESsT**, *supra*, assists Chilean grassroots organizations fund their operations by developing for-profit partner enterprises. **Salvadoreños en el Mundo**, which works to improve conditions in Salvadoran communities, will create a database of Salvadorans abroad and their skills with the goal of tapping into diaspora talent and resources. An award to Fonkoze, *supra*, will fund outreach to the Haitian Home Town Associations Resource Group (HHTARG) in Boston, New York and Miami, which should eventually channel diaspora resources into grassroots development in Haiti.

Third-Sector Donors: Following the release of a study on community foundations in Mexico, the Kellogg Foundation, the Mott Foundation and the IAF sponsored six meetings where 130 representatives of **Mexican community foundations** discussed the development of the foundations as donors and opportunities for collaboration. The IAF sponsored 10 participants at a conference hosted by the **Boston Foundation** to engage the Haitian diaspora and Haitian grassroots organizers in decisions regarding post-earthquake reconstruction.

RedEAmérica: In 2010, the IAF began collaborating with a group of corporate foundations and institutes in the state of Rio Grande do Sul to explore the creation of **a second subgrant fund in Brazil**, and the affiliation of individual entities with RedEAmérica. **The first subgrant fund, “RedE América Brazil,”** was developed in FY 2007 by 12 corporate foundations and institutes, including nine members of RedEAmérica. One of these founding entities, Instituto Cidadania Empresarial, a member of RedEAmérica, entered into a cooperative agreement with the IAF that committed members of “RedE América Brazil” to contribute an amount equal to double the IAF’s contribution to the fund. During FY 2010, “RedE América Brazil” supported 11 grassroots projects; issued its third call for proposals; and joined forces with Grupo de Institutos, Fundações, e Empresas (GIFE), another Brazilian network of foundations, institutes and companies, to learn from GIFE’s expertise with a broad range of organizations in order to expand membership in “RedEAmérica Brazil.”

Goal Four: *Document the results of IAF’s investment.*

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

The Office of Evaluation assessed the impact of the IAF’s investment in Patronato para el Desarrollo de las Comunidades de Morazán y San Miguel (PADECOMSM) in El Salvador, Consejo de Mujeres Mayas (CMM) in Guatemala and Grupo de Asesoramiento Multidisciplinario en Medio Ambiente y Agroecología in Bolivia, whose grants all terminated in 2006. The report is still in

draft; findings will be included in the annual report for 2010. Assessments of the impact of selected grantees in Brazil and Mexico are scheduled to get underway during August, September and October 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 5.1: Publications produced that disseminate the IAF's experiences and approach.

The **annual report for 2009 and the IAF journal *Grassroots Development* 2010** were published and distributed in English and Spanish and posted in English, Spanish and Portuguese versions on the IAF's Web site. Articles in the 2010 journal included features on the relief efforts of Haitian grantees; the commitment of Chet Thomas to Honduras; the IAF's work in Chiapas; the inclusion of Latin Americans with psychiatric disabilities in grassroots development; multifaceted improvement in a town in the Brazilian Northeast; and how the revocation of an IAF grant tested the resolve of Salvadoran fishermen. IAF Fellows contributed to a section on the IAF's program of Grassroots Development Fellowships described under Performance Measure 5.4. An extended profile of the late Rex Nettleford commemorated the rich contributions of this Jamaican "Renaissance man" to the IAF's approach to grantmaking.

Drawing from the massive documentation collected during his research for the IAF into corporate social responsibility in Latin America, **Lester Salamon produced a lively and cohesive narrative for *Rethinking Corporate Social Engagement: Lessons from Latin America*, a book published independently by Kumerian Press and released in July.** Salamon credits the IAF for initiating partnerships with corporations that developed new attitudes and more effective practices. An article based on this research appeared in *Grassroots Development* 2008.

Finally, **the focus on African descendants in IAF's 2007 journal** was the inspiration for the international conference held at the University of South Florida in June: "Reexamining the Black Atlantic: Afro Descendants Still at the Bottom?" Vice-President Linda Kolko gave an overview of the IAF's support for African descendants through grants and exchanges. Representatives of two grantees testified to the IAF's engagement and shared their experiences.

See the bullet under Performance Measure 2.3, *supra*.

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

The IAF's experiences and approach as well as the grantees' accomplishments were shared in a variety of venues, including those highlighted below.

- IAF representative Kevin Healy organized two of the three stellar events at the National Museum of the American Indian (NMAI) showcasing the success of the IAF's commitment to indigenous peoples:
 - Indigenous Aymara farmers/business managers from former IAF Bolivian grantee El Ceibo, a federation of 40 cooperatives that evolved with IAF's support into a leading exporter of chocolate products, returned for their third annual presentation in "The Power of Chocolate," the NMAI's popular Valentine's Day celebration of the pre-Colombian origins of cacao. They were joined by Kuna craftswomen from IAF Panamanian grantee Asociación Pro Artesana Panameña, who exhibited their colorful mola featuring the cacao pod, a favorite pattern for these traditional appliques.
 - During the fifth annual Indian Summer Showcase, the IAF and the NMAI commemorated the IAF's 40th anniversary with a magnificent exhibit of 2,000 items crafted by members of ARTECAMPO, a cooperative representing 1,300 indigenous Bolivian embroiderers, potters and sculptors in the Santa Cruz region, and its partner, former IAF grantee Centro de Investigación Diseño Artesanal y Comercialización Comunitaria (CIDAC), which has, for 25 years, led effort to rescue and develop traditional handicrafts. Artisans and leaders from the two organizations were joined by dancers, musicians and weavers from former IAF grantee Comité de Turismo de Taquile, now Nativos de Taquile, a grassroots organization representing the Quechua residents of the Peruvian island in Lake Titicaca, whose textile tradition is recognized by UNESCO as Masterpiece of the Intangible Cultural Heritage of Humanity. The more than 20,000 people who visited this exhibit held June 10-20, the first of its kind in NMAI's Potomac Room, exhausted the supply of 2008 journals featuring an article on CIDAC's work. The Bolivian press covered the event with features and photos.
 - The 20 participants in "MAKIYKUMANTA-Peru: Arts and Cultural Legacy," also in the Indian Summer Showcase, included more artisans from Taquile as well as weavers from IAF grantee Centro de Textiles Tradicionales de Cusco. Sponsored by the IAF, the Embassy of Peru, Restaurant Associates and the NMAI, this crafts-and-cuisine extravaganza exposed the huge crowds of visitors to the IAF's work. Also on display was the 2007 journal with a feature on the weavers.
- Working with the United States Institute of Peace, Healy organized "Land Reform as a Path to Democracy and Development in Bolivia and Colombia." Cosponsored by the IAF and held in May at the Carnegie Endowment for Peace, the conference featured representatives of several IAF grantees. In November Healy traveled to the University of Arizona to give the keynote address at the Tinker Foundation's conference on recent rural development in Bolivia and Colombia.
- In June, the IAF cosponsored the XVI Latin American Conference of Mayors and Local Authorities. Some 450 mayors and municipal officials from 14 countries in Miami for the event participated in interactive workshops led by IAF staff: "Local Government and its Leadership in a Time of Crisis" included a panel of experts from Chile and Peru;

“Opportunities for Economic Development within a Multicultural Context: the Case of Uruguay” featured experienced leaders from Montevideo.

- Grantee exchanges offered opportunities to share experiences: Representatives from grantee KOFAKAD, *supra*, and subgrantee PIOD attended forums organized in May, June, July and August by grantee Rezo Fanm to discuss the situation of women on the border and the participation of women in post-quake reconstruction. CEDAPP and CEPAGRO, both active Brazilian grantees, shared information on the installation and maintenance of “dry” latrines during their April exchange. Dominican women from the fruit-processing cooperative that works with grantee Taigüey, *supra*, traveled to Uruguay to meet with counterparts from IAF grantee Delicias Criollas, *supra*.
- IAF staff and representatives of three IAF grantees spoke about the role of the responsible use of the natural resources in development at their workshop “Green at the Grassroots: Case Studies of Organic Production and Sustainable Consumption in Mexico, Ecuador, and Brazil” held at the annual conference of Grantmakers Without Borders in June.
- Ten grantee and IAF representatives spoke at “The Role of the Community in Economic and Disaster Recovery,” an international conference organized by the Community Development Society and the International Association of Community Development in July. Their panels, “From Conflict to Collaboration: Essential Skills for Economic and Disaster Recovery, Cases from Argentina, Uruguay and Brazil” and “Thinking Outside the Box: Flexibility and Resourcefulness are Key to Disaster Recovery—Tales from Mexico, El Salvador and Haiti,” illustrated features of emergency situations common to stricken areas worldwide.

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

This measure incorporates a PART Goal. Because PART is no longer applicable, this survey is no longer required.

Performance Measure 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 2010, which represented the fourth cycle of its reinstituted 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:

- Craig Michael Kauffman, George Washington University, watershed management reforms in Ecuador;
- Ellen J. Sharp, University of California at Los Angeles, grassroots justice in Guatemala;

- Adam Kerry French, University of California at Santa Cruz, climate change, adaptation, and sustainable resource management in the Peruvian Andes;
- Rebecca Senn Tarlau, University of California at Berkeley, rural development, education and collective action in Brazil;
- Meghan Krausch, University of Minnesota, Twin Cities, utopian activism in Argentina;
- Jennifer Vogt, Vanderbilt University, the impacts of legal reform on an artisan cooperative in Peru;
- Joseph L. Wiltberger, University of North Carolina at Chapel Hill, grassroots responses to Salvadoran emigration;
- Rebecca Hope Dirksen, University of California at Los Angeles, contemporary Haitian music and community-led development in Port-au-Prince;
- Lesli Michelle Hoey, Cornell University, reducing malnutrition in Bolivia;
- Amy Carol Offner, Columbia University, anti-poverty programs in Colombia and the U.S., 1948-1980;
- Jelena Radovic, University of California at Riverside, seasonal labor, neoliberalism, and the formation of identity in the Aconcagua Valley;
- Caela Brigid O'Connell, University of North Carolina at Chapel Hill, the practice and prospects of fair trade in St. Lucia;
- Alice Brooke Wilson, University of North Carolina at Chapel Hill, the politics of transgenic corn in Mexico;
- Ritaumaria DeJesus Pereira, Brazilian citizen, Michigan State University at East Lansing, cattle production chains in Amazonia and the implications for grassroots development;
- Maria Amalia Pesantes Villa, Peruvian citizen, University of Pittsburgh, negotiating intercultural health in the Peruvian Amazon.

Goal Six: *Build upon and enhance current efficiency measures.*

Performance Measure 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 30 percent of its 2010 operating budget.

The IAF has significantly streamlined operations and lowered overhead by outsourcing key administrative and technical functions through its longstanding inter-agency franchise agreements with the Bureau of the Public Debt (BPD) of the U.S. Department of the Treasury and the National Business Center (NBC) of the U.S. Department of the Interior. BPD provides services related to procurement, accounting, the budget, travel and information technology (IT); NBC provides payroll and human resource services that include timekeeping and processing and reporting personnel actions as well as access to online applications such as the Federal Personnel and Payroll System (FPPS) and Employee Express. These arrangements produce a savings in full-time equivalencies (FTEs) and overhead as well as 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. Since FY 2009, the IAF has participated with NBC in E-Gov initiatives to improve personnel operations. In FY 2010, the eOPF project converted all Official Personnel Folder (OPF) records to electronic format, which saves staff time in maintaining the folders and affords IAF employees access on-line. The IAF is also planning to take advantage of NBC's Workforce Transformation and Tracking System (WTTS) and Entry on Duty Systems (EODS) currently in preparation by the Department of Interior for roll-out in FY 2011. These applications will further streamline operations and lower costs through additional automation and the elimination of redundant data. NBC's Talent Management System (TMS), which includes modules for learning and performance management, is also under consideration for deployment by the IAF in FY 2011.

Under its agreement with IAF, BPD's IT support includes security, network administration and help-desk services. The data center at the IAF's Arlington offices has six servers that are maintained remotely through a VPN connection by IT specialists at BPD's facility in West Virginia. BPD also hosts the IAF alternate COOP data center in West Virginia. Beginning in FY 2011, the IAF will lower costs by upgrading its data center in West Virginia; BPD will replace IAF's current COOP hardware inventory with two machines that will run between five and six servers using virtualization technology. This move is also expected to produce savings for COOP system maintenance and testing through direct access to all IAF servers. Consolidated purchases of computer equipment through BPD in FY 2010 allowed the IAF to complete acquisitions efficiently and at less cost through discounts for bulk purchases.

The IAF continues to use the Central Contractor Registration, the sole repository for pertinent data for all USG suppliers. Integration allows BPD and the IAF to more efficiently maintain current data related to suppliers. The IAF is supporting the Financial Management Line of Business (FMLOB) Initiative by using BPD's Oracle Federal Financials System and related accounting and procurement services and BPD has been reporting FMLOB metrics for IAF for the past 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; for a \$2,000 annual agency fee, it offers between 25 and 30 courses annually through the Graduate School of the U. S. Department of Agriculture. Approximately 25 percent of IAF employees take at least one class in job-related skills or professional development at a significant savings to the agency. As the classes cost between \$700 and \$1500 each, the IAF generally recovers the annual fee after two or three enrollments.

Volunteer internships offer work experience to qualified undergraduate and graduate students from across the country, who assist employees in IAF's various offices. The IAF approved seven

internships in FY 2010. The IAF plans to continue working with Partners of the Americas to sponsor outstanding civil servants from Latin America and the Caribbean who spend between two and four months working in a federal agency. The U.S. Department of State covers all expenses of the program, while the host agency provides an assignment and a mentor.

In FY 2009, the IAF transitioned to General Services Administration's Federal Technology Service (GSA/FTS) Networx and WITS3 new government-wide telecommunications contracts. This resulted in a savings of 35 percent in expenditures for domestic and international telephone services in 2010.

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

Performance Measure 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 FY 2010 was 9 months and 12 days, compared to 9 months and 15 days in 2009.

I am pleased to introduce the IAF's FY 2010 financial statements, which reflect the IAF's quest to become increasingly innovative while adhering to its core principles.

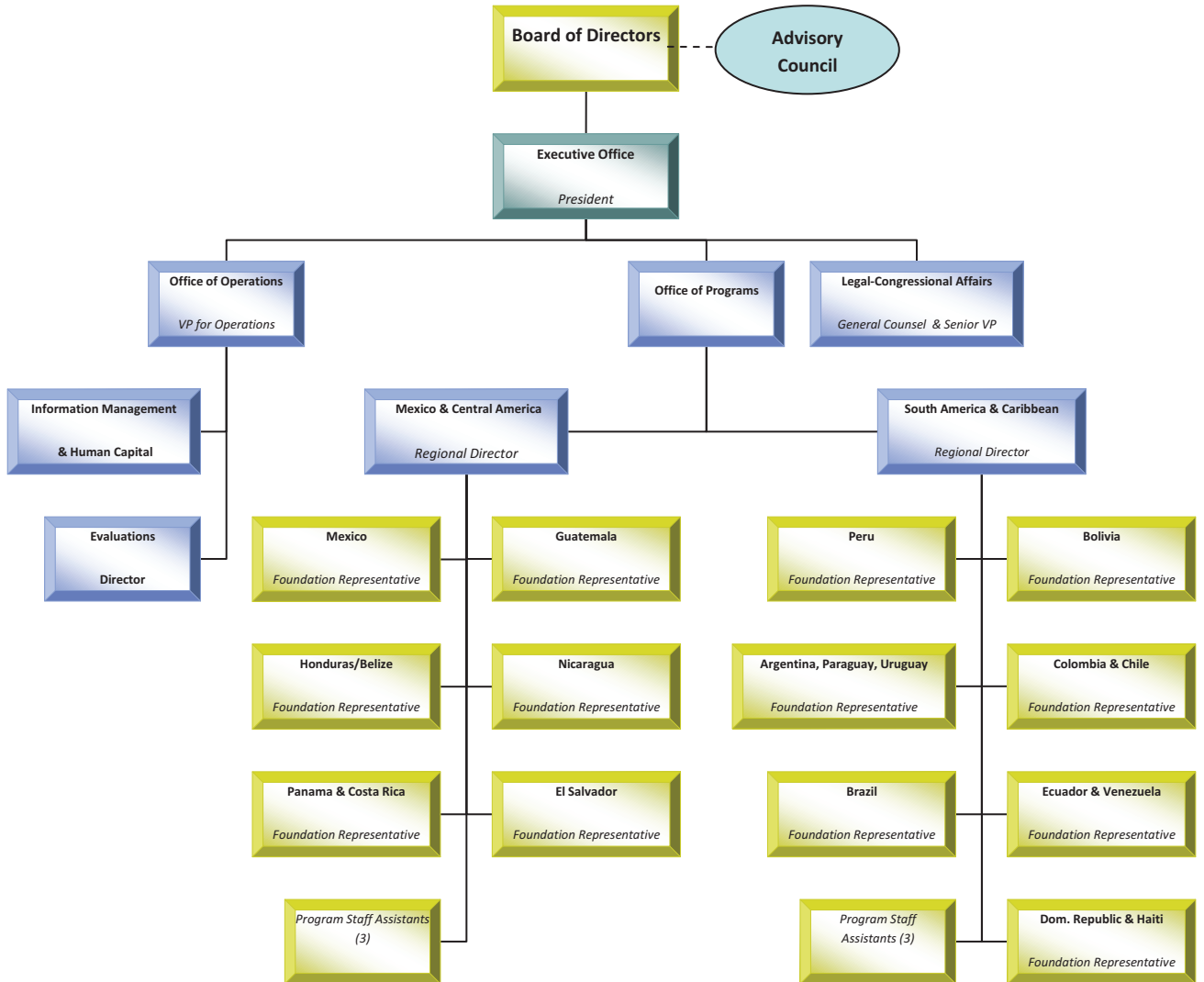
The financial statements and performance results data are complete, reliable and in accordance with the Office of Management and Budget (OMB) requirements and in conformity with generally accepted accounting principles. The IAF has appropriate management controls in place to ensure that all internal 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:

A handwritten signature in dark ink, appearing to read 'R. Kaplan', with a long horizontal flourish extending to the right.

Robert N. Kaplan
President and CEO

Inter-American Foundation



MANAGEMENT DISCUSSION AND ANALYSIS

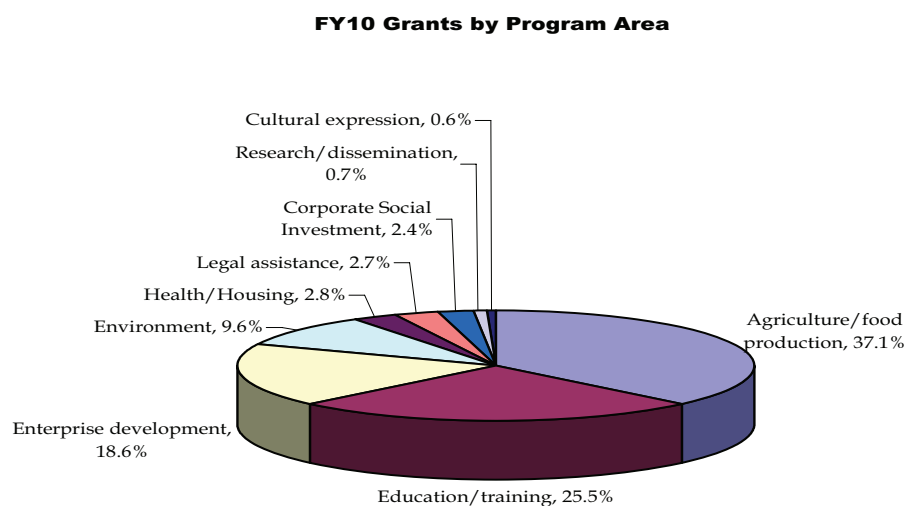
The Inter-American Foundation (IAF) is a resourceful, agile, cost-effective agency efficient in its operations, innovative and effective in its grassroots development programs. The IAF learns from its experience, and uses the lessons learned to improve its own grant making decisions and to advance the 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 2010 funding actions are divided among primary program areas as follows:



FY10 GRANTS FUNDED BY PRIMARY PROGRAM AREA

Program Area	IAF \$	Funding Actions	Percent
Agriculture/food production	6,254,408	35	37.1%
Education/training	4,294,803	33	25.5%
Enterprise development	3,136,084	29	18.6%
Environment	1,612,950	11	9.6%
Health/Housing	468,220	2	2.8%
Legal assistance	449,273	4	2.7%
Corporate Social Investment	397,263	3	2.4%
Research/dissemination	116,000	2	0.7%
Cultural expression	108,250	2	0.6%
Total	16,837,251	121	100%

The IAF's Goals and Performance Measures for FY 2012

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.

Contributing IAF programs: Development grants, bolstered by an evaluation system that holds grantees accountable.

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

Lead persons/positions: Regional Directors, Program Office (development grants); Director of Evaluations, Office of Operations (results verification).

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

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

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

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

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

Problem/need/challenge addressed: Discrimination on the basis of race, ethnicity, disability 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.

Contributing IAF programs: Development grants, the evaluation system (see, *supra*, High-Priority Goal One) and travel grants.

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

Lead persons/positions: Regional Directors, *supra*; Vice President for Operations (travel grants); Director of Evaluations *supra*.

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

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

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

Performance Measure 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.

Contributing IAF programs: The IAF's program of development grants and evaluation system (see, *supra*, High-Priority Goal One).

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

Lead persons/positions: Regional Directors, *supra*; Director of Evaluation, *supra*.

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

their efforts through, inter alia, partnerships with local governments and businesses. The IAF will also continue exploring opportunities in the business sector through its main vehicle for mobilizing corporate resources: RedEAmérica, an IAF-launched network of Latin America and Caribbean corporate foundations committed to investing in grassroots development. Per OMB's recommendation, the IAF will make every effort to partner with federal agencies willing to contribute to advancing grassroots projects. To date, however, IAF's federal partners have contributed venues and logistics for events but have looked to the IAF for resources. Finally, the IAF will aim to increase support for grassroots development by donors such as the Inter-American Development Bank, the World Bank and the U.S. Agency for International Development.

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

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

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

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

Problem/need/challenge addressed: No longer considered experimental, the IAF's responsive funding is increasingly recommended as the best way to improve the quality of life in marginalized communities. However, donors, policymakers and American taxpayers 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.

Contributing IAF programs: Publications; Grassroots Development Fellowships; events organized and supported.

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

Lead persons/positions: IAF Director of Publications and Fellowships, Office of Operations; Vice President for Operations, *supra*; Foundation Representatives, Office of Programs.

Strategy and key measures: Through print and Web versions of its annual report and journal Grassroots Development, published in English, Spanish and Portuguese, the IAF's experiences and approach reach a diverse international audience. IAF staff and grantee representatives further disseminate the IAF's experiences and its approach through conferences and speaking engagements in a range of venues. Grassroots Development Fellowships support dissertation research on relevant topics by Ph.D. candidates in U.S. universities, contributing to the cadre of specialists and exposure to the field as Fellows become professionals and publish.

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

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

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

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

Problem/need/challenge addressed: Inequality continues to undercut economic and social development of most countries of Latin America and the Caribbean, and poor and marginalized communities struggle to take advantage of development opportunities. In some ways, they are more vulnerable than ever to adverse economic and environmental shocks. Demand for transformational assistance from the IAF is strong, while 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.

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

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

Lead persons/positions: Regional Directors, *supra*; Vice President for Operations, *supra*; Director of Information and Management Services, Office of Operations.

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

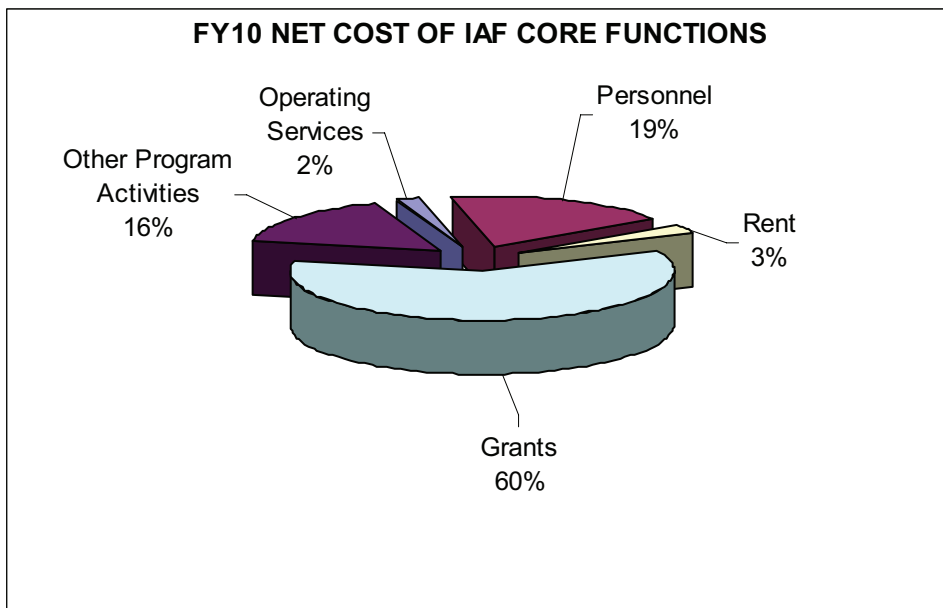
Analysis of Financial Statements and Stewardship Information

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 2010. Program costs of \$29,894,163 reflected an increase of \$3,857,470 in resources used from the FY 2009 amount of \$26,036,693.

Personnel compensation and benefits increased from \$5,268,236 in FY 2009 to \$5,701,447 in FY 2010 reflecting an increase of \$433,211. In FY 2010, program-related Contractual Services used \$4,780,181 of IAF resources. The difference of \$691,000 from FY 2009 which reported \$4,089,181 in resources used reflects an increase of approximately 16 percent.



Fund Balance with U.S. Treasury

Total resources available from the U.S. Treasury and other financing sources for FY 2010 and 2009 were \$35,454,538 and \$37,598,386, respectively. The difference of \$2,143,848 is due to a decrease in the Social Progress Fund and an increase in disbursements.

Limitations on Financial Statements

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

The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity.

Management Assurances

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, 2010, 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 2010; 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, 2010, 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.



Inter-American Foundation

An Independent Agency of the U.S. Government

November 8, 2010

Letter from the Chief Financial Officer

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

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

Auditors from the USAID Office of the Inspector General (OIG) completed the annual independent assessment of the security infrastructure supporting IAF's enterprise network system and agency compliance with the Federal Information Security Management Act. A positive final FISMA audit report was received from the OIG auditors in September 2010.

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

In fiscal 2009, the IAF transitioned to General Services Administration's Federal Technology Service (GSA/FTS) Networkx and WITS3 new government-wide telecommunications contracts. This resulted in a savings of 35 percent in expenditures for domestic and international telephone services in 2010.

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

Signed:

A handwritten signature in black ink, appearing to read "Linda B. Kolko".

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, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of IAF's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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, 2010 and 2009 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 reports dated November 8, 2010 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 IAF's Management's Discussion & Analysis contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with IAF officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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


Largo, Maryland
November 8, 2010

LARGO
1101 MERCANTILE LANE, SUITE 122
LARGO, MD 20774
(240) 492-1400 • FAX: (301) 773-2000
mail@brownco-cpas.com

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, 2010 and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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 a material weakness or significant deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be a material weakness as defined above.

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

Brown & Company

Largo, Maryland
November 8, 2010



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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, 2010, and have issued our report thereon dated November 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

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 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 8, 2010

INTER-AMERICAN FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 35,454,538	\$ 37,598,386
Advances and Prepayments (Note 4)	24,840	48,378
Total Intragovernmental	35,479,378	37,646,764
Accounts Receivable, Net (Note 3)	-	115
Advances and Prepayments (Note 4)	2,165,924	1,423,604
Total Assets	\$ 37,645,302	\$ 39,070,483
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 46,093	\$ 75,535
Other (Note 7)	905,919	51,789
Total Intragovernmental	952,012	127,324
Accounts Payable	367,054	511,029
Other (Note 7)	589,746	570,824
Total Liabilities	\$ 1,908,812	\$ 1,209,177
Net Position:		
Unexpended Appropriations - Other Funds	\$ 22,921,207	\$ 22,609,925
Cumulative Results of Operations - Earmarked Funds (Note 15)	13,204,163	15,630,157
Cumulative Results of Operations - Other Funds	(388,880)	(378,776)
Total Net Position	\$ 35,736,490	\$ 37,861,306
Total Liabilities and Net Position	\$ 37,645,302	\$ 39,070,483

The accompanying notes are an integral part of these statements.

INTER-AMERICAN FOUNDATION
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Program Costs:		
Foreign Grant Program:		
Gross Costs (Note 10)	\$ 29,894,163	\$ 26,036,693
Net Program Costs	\$ 29,894,163	\$ 26,036,693
Net Cost of Operations	\$ 29,894,163	\$ 26,036,693

The accompanying notes are an integral part of these statements.

INTER-AMERICAN FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2010	2010	2009	2009	2009
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
Cumulative Results of Operations:						
Beginning Balances	\$ 15,630,157	\$ (378,776)	\$ 15,251,381	\$ 16,937,111	\$ (323,503)	\$ 16,613,608
Budgetary Financing Sources:						
Appropriations Used	-	22,456,370	22,456,370	-	18,857,905	18,857,905
Donations and Forfeitures of Cash and Cash Equivalents	2,000	-	2,000	-	-	-
Other	4,615,000	-	4,615,000	5,482,190	-	5,482,190
Other Financing Sources (Non-Exchange):						
Imputed Financing Sources (Note 11)	-	384,695	384,695	-	334,371	334,371
Total Financing Sources	4,617,000	22,841,065	27,458,065	5,482,190	19,192,276	24,674,466
Net Cost of Operations	(7,042,994)	(22,851,169)	(29,894,163)	(6,789,144)	(19,247,549)	(26,036,693)
Net Change	(2,425,994)	(10,104)	(2,436,098)	(1,306,954)	(55,273)	(1,362,227)
Cumulative Results of Operations	\$ 13,204,163	\$ (388,880)	\$ 12,815,283	\$ 15,630,157	\$ (378,776)	\$ 15,251,381
Unexpended Appropriations:						
Beginning Balances	\$ -	\$ 22,609,925	\$ 22,609,925	\$ -	\$ 19,507,588	\$ 19,507,588
Budgetary Financing Sources:						
Appropriations Received	-	23,000,000	23,000,000	-	22,500,000	22,500,000
Other Adjustments	-	(232,348)	(232,348)	-	(539,758)	(539,758)
Appropriations Used	-	(22,456,370)	(22,456,370)	-	(18,857,905)	(18,857,905)
Total Budgetary Financing Sources	-	311,282	311,282	-	3,102,337	3,102,337
Total Unexpended Appropriations	\$ -	\$ 22,921,207	\$ 22,921,207	\$ -	\$ 22,609,925	\$ 22,609,925
Net Position	\$ 13,204,163	\$ 22,532,327	\$ 35,736,490	\$ 15,630,157	\$ 22,231,149	\$ 37,861,306

The accompanying notes are an integral part of these statements.

INTER-AMERICAN FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(In Dollars)

	2010	2009
Budgetary Resources:		
Unobligated Balance:		
Unobligated Balance Brought Forward, October 1	\$ 7,607,259	\$ 8,071,367
Recoveries of Prior Year Unpaid Obligations	1,396,805	1,695,727
Budget Authority		
Appropriation	23,000,000	22,500,000
Spending Authority From Offsetting Collections		
Earned		
Collected	4,617,000	5,482,190
Change In Unfilled Customer Orders		
Advance Received	850,000	-
Subtotal	28,467,000	27,982,190
Permanently Not Available	(232,348)	(539,758)
Total Budgetary Resources	\$ 37,238,716	\$ 37,209,526
Status of Budgetary Resources:		
Obligations Incurred (Note 16)		
Direct	\$ 30,239,204	\$ 29,602,267
Reimbursable	850,000	-
Subtotal	31,089,204	29,602,267
Unobligated Balance		
Apportioned	153,675	657,529
Unobligated Balance Not Available	5,995,837	6,949,730
Total Status of Budgetary Resources	\$ 37,238,716	\$ 37,209,526
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 29,991,127	\$ 29,525,543
Obligations Incurred Net	31,089,204	29,602,267
Gross Outlays	(30,378,500)	(27,440,956)
Recoveries of Prior Year Unpaid Obligations, Actual	(1,396,805)	(1,695,727)
	29,305,026	29,991,127
Obligated Balance, Net, End of Period		
Unpaid Obligations	29,305,026	29,991,127
Total, Unpaid Obligated Balance, Net, End of Period	\$ 29,305,026	\$ 29,991,127
Net Outlays:		
Gross Outlays	\$ 30,378,500	\$ 27,440,956
Offsetting Collections	(5,467,000)	(5,482,190)
Net Outlays	\$ 24,911,500	\$ 21,958,766

The accompanying notes are an integral part of these statements.



INTER-AMERICAN FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

C. Budgets and Budgetary Accounting

Congress enacts appropriations to permit the IAF to incur obligations for specified purposes. In fiscal years 2010 and 2009, the IAF was accountable for the Social Progress Trust Fund (SPTF), Gift Fund, and General Fund appropriations. The IAF recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants and transfers from the Inter-American Development Bank (IDB).

D. Basis of Accounting

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

E. Revenues & Other Financing Sources

The IAF's grant program is funded by appropriation from the budget of the United States, agreement with the Inter-American Development Bank covering the SPTF, and donations from the private sector. No-year appropriations remain available until

expended, while multi-year appropriations are available for the period prescribed by the applicable statute. Appropriations are used, within statutory limits, for programmatic, operating and capital expenditures for essential personal property. Appropriations are recognized as a financing source when expended. Appropriations expended for capitalized property and equipment are recognized as expense when an asset is consumed in operations.

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

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

The IAF recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current

employees paid on its behalf by the Office of Personnel Management (OPM).

F. Taxes

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

G. Fund Balance with Treasury

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

H. Accounts Receivable

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

I. Property, Equipment, and Software

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

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

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

J. Advances and Prepaid Charges

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

K. Liabilities

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

L. Accounts Payable

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

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

M. Annual, Sick, and Other Leave

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

N. Retirement Plans

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

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

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

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

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

O. Grant Disbursements and Administrative Expenses

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

The IAF estimates grant advances by multiplying the grants disbursed during the quarter by 50%. This estimate is prepared each quarter to determine the amount of grant

disbursements to be accounted for as grant advances on the Balance Sheet. See Note 4 for additional information.

P. Use of Estimates

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

Q. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The IAF recognized imputed costs and financing sources in fiscal years 2010 and 2009 to the extent directed by OMB.

R. 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, 2010 and 2009, were as follows:

	2010	2009
Fund Balances:		
Appropriated Funds	\$ 23,243,927	\$ 22,659,429
Social Progress Trust Fund (SPTF)	12,210,578	14,938,957
Trust Funds	33	-
Total	\$ 35,454,538	\$ 37,598,386

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 153,675	\$ 657,529
Unavailable	5,995,837	6,949,730
Obligated Balance Not Yet Disbursed	29,305,026	29,991,127
Total	\$ 35,454,538	\$ 37,598,386

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2010 and 2009, were as follows:

	2010	2009
With the Public		
Accounts Receivable	\$ -	\$ 115
Total Accounts Receivable	\$ -	\$ 115

The accounts receivable is primarily made up of employee receivables. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2010 and 2009.

NOTE 4. ADVANCES AND PREPAYMENTS

Other assets account balances as of September 30, 2010 and 2009, were as follows:

	2010	2009
Intragovernmental Assets		
Advances and Prepayments	\$ 24,840	\$ 48,378
With the Public		
Grant Advances	2,165,924	1,423,604
Total Other Assets	\$ 2,190,764	\$ 1,471,982

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

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

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

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	\$ -
Furniture & Equipment	36,895	36,895	-
Total	\$ 59,397	\$ 59,397	\$ -

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the IAF as of September 30, 2010 and 2009, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2010	2009
Unfunded Leave	\$ 388,880	\$ 378,892
Total Liabilities Not Covered by Budgetary Resources	388,880	378,892
Total Liabilities Covered by Budgetary Resources	1,519,932	830,285
Total Liabilities	\$ 1,908,812	\$ 1,209,177

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

NOTE 7. OTHER LIABILITIES

All other liabilities are considered current liabilities.

	2010	2009
Intragovernmental Liabilities		
Liability for Advances and Prepayments	\$ 850,000	\$ -
Payroll Taxes Payable	55,919	51,789
Total Intragovernmental Liabilities	\$ 905,919	\$ 51,789
With the Public		
Accrued Funded Payroll and Leave	\$ 200,866	\$ 191,932
Unfunded Leave	388,880	378,892
Total Public Liabilities	\$ 589,746	\$ 570,824

NOTE 8. COMMITMENTS AND CONTINGENCIES

In the course of the agency's grant-making activities, the IAF has unliquidated grant obligations which, in the absence of violations or cancellations of the grant agreements, will require disbursements. Unliquidated grant obligations at September 30, 2010 and 2009 total approximately \$24,178,691 and \$25,625,631, respectively. As of September 30, 2010 and 2009, there were no obligations due to canceled appropriations for which there is a contractual commitment for payment.

NOTE 9. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2010 and 2009, undelivered orders amounted to \$30,825,858 and \$30,632,823 respectively.

NOTE 10. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2010	2009
Foreign Grant Program		
Intragovernmental Costs	\$ 3,679,758	\$ 3,109,343
Public Costs	26,214,405	22,927,350
Total Program Costs	29,894,163	26,036,693
Total Net Cost	\$ 29,894,163	\$ 26,036,693

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, OPM. For the fiscal years ended September 30, 2010 and 2009, imputed financing was \$384,695 and \$334,371, 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 2010 or 2009. For fiscal years 2010 and 2009, the IAF received \$4,615,000 and \$5,482,190 respectively, from the IDB, which was reported on its SF-133 as funds received from SPTF collections.

	2010	2009
SPTF Cumulative Results:		
SPTF Beginning Balance	\$ 15,630,157	\$ 16,937,111
SPTF Funds Received	4,615,000	5,482,190
Less: SPTF Funds Expended	(7,041,027)	(6,789,144)
SPTF Fund Carry Forward	13,204,130	15,630,157
Donations Cumulative Results:		
Donations Received	2,000	-
Less: Donations Expended	(1,967)	-
Donations Carry Forward	33	-
Total SPTF and Donations	13,204,163	15,630,157
Less: Cumulative Results of Operations – All Other Funds	(388,880)	(378,776)
Total Cumulative Results of Operations	\$ 12,815,283	\$ 15,251,381

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

The President's Budget that will include FY10 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2011 Budget of the United States Government, with the "Actual" column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. OPERATING LEASES

The IAF occupies office space under a lease agreement that is accounted for as an operating lease. The lease term begins on May 1, 2002 and expires on April 30, 2012. Lease payments are increased annually based on the IAF's proportionate share of the building's operating expenses and real estate taxes. 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. The total operating lease expense as of September 30, 2010 and 2009 were \$695,825 and \$715,096, respectively.

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

Fiscal Year	Office Space
2011	\$ 737,000
2012	770,000
Total Future Payments	\$ 1,507,000

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

NOTE 15. EARMARKED FUNDS

Schedule of Earmarked Funds as of September 30, 2010 and 2009:

	2010	2009
Balance Sheet		
ASSETS		
Fund Balance with Treasury	\$ 12,210,611	\$ 14,938,956
Advances and Prepayments	993,552	691,201
Total Assets	\$ 13,204,163	\$ 15,630,157
 LIABILITIES AND NET POSITION		
Cumulative Results of Operations	\$ 13,204,163	\$ 15,630,157
Total Liabilities and Net Position	\$ 13,204,163	\$ 15,630,157
 Statement of Net Cost		
Program Costs	\$ 7,042,994	\$ 6,789,144
Net Cost of Operations	\$ 7,042,994	\$ 6,789,144
 Statement of Changes in Net Position		
Net Position Beginning of Period	\$ 15,630,157	\$ 16,937,111
Financing Sources	4,617,000	5,482,190
Net Cost of Operations	(7,042,994)	(6,789,144)
Net Change	\$ (2,425,994)	\$ (1,306,954)
Net Position End of Period	\$ 13,204,163	\$ 15,630,157

NOTE 16. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2010 and 2009 consisted of the following:

	2010	2009
Direct Obligations, Category A	\$ 8,695,723	\$ 7,869,745
Direct Obligations, Category B	21,543,481	21,732,522
Reimbursable Obligations, Category B	850,000	-
Total Obligations Incurred	\$ 31,089,204	\$ 29,602,267

Category A apportionments distribute budgetary resources by fiscal quarters.

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

NOTE 17. CUSTODIAL ACTIVITY

The IAF's custodial collection consists of returned funds at the IAF's request from a grantee due to funds mismanagement. The returned funds came from a cancelled fund which is no longer available for use; therefore, the funds must be returned to Treasury. While these collections are considered custodial, they are not material to the overall financial statements. The IAF's total custodial collections are \$50,000 and \$0 for the fiscal year ended September 30, 2010, and 2009, respectively.

NOTE 18. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2010	2009
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	\$ 31,089,204	\$ 29,602,267
Spending Authority from Offsetting Collections and Recoveries	(6,863,805)	(7,177,917)
Net Obligations	24,225,399	22,424,350
Other Resources		
Donations and Forfeitures of Property	2,000	334,371
Imputed Financing from Costs Absorbed by Others	384,695	-
Net Other Resources Used to Finance Activities	386,695	334,371
Total Resources Used to Finance Activities	24,612,094	22,758,721
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	5,272,022	3,222,763
Total Resources Used to Finance the Net Cost of Operations	29,884,116	25,981,484
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:	10,047	55,209
Net Cost of Operations	\$ 29,894,163	\$ 26,036,693