

## DOCUMENT RESUME

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Report to the Congress; by Elmer B. Staats, Comptroller General.

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The Inter-American Foundation is a wholly owned Government corporation created to: strengthen bonds of friendship and understanding among the people of this hemisphere; support, stimulate, and assist self-help efforts toward individual development; and encourage appropriate democratic institutions in the individual countries. The Foundation attempts to meet the objectives by making grants to aid self-initiated efforts, generally by nongovernmental, nonprofit Latin American and Caribbean groups. The financial statements provided present fairly the financial position of the Foundation at September 30, 1976 and at June 30, 1975 and the results of its operations and the changes in fund balances for the periods then ended, in conformity with the principles and standards of accounting prescribed by the Comptroller General. Findings/Conclusions: From its inception through September 30, 1976, the Foundation had obligated a total of \$48 million for 422 grants, of which \$13 million for 112 grants was obligated in the 15-month period then ended. The average grant for the 15-month period was \$113,000, with grants for individual projects ranging from \$1,184 to \$1,620,442. Grants were approved for groups in 21 Latin American and Caribbean countries and the United States. Since the statements included in this report for the fiscal year ended June 30, 1975 reflect a 12-month period, and those for the period ended September 30, 1976 reflect a 15-month period, the financial statements lack comparability. (Author/SC)

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# *REPORT TO THE CONGRESS*

*BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES*

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## **Examination Of Financial Statements Of The Inter-American Foundation For The 15-Month Period Ended September 30, 1976**

This report provides the Foundation's financial statements and comments on its operations for the 15-month period ended September 30, 1976. The Foundation uses a 15-month statement period to achieve transition to the new U.S. Government fiscal year, and consequently the 15-month statements are not comparable with the 12-month fiscal year 1975 statements. GAO concludes that the financial statements are fairly presented.



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-135075

To the President of the Senate and the  
Speaker of the House of Representatives

This report includes financial and related information regarding operations of the Inter-American Foundation, as required by the Government Corporation Control Act (31 U.S.C. 841 et seq.).

We are sending copies of this report to the Director, Office of Management and Budget; Secretary of the Treasury; and President, Inter-American Foundation.

A handwritten signature in black ink, appearing to read "James B. Atchafalua".

Comptroller General  
of the United States

**COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS**

**EXAMINATION OF FINANCIAL  
STATEMENTS OF THE  
INTER-AMERICAN FOUNDATION  
FOR THE 15-MONTH PERIOD  
ENDED SEPTEMBER 30, 1976**

**D I G E S T**

The Inter-American Foundation is a wholly owned Government corporation established pursuant to part IV of the Foreign Assistance Act of 1969. Its purpose is to strengthen bonds of friendship and understanding among the people of this hemisphere, support, stimulate, and assist self-help efforts toward individual development, and encourage appropriate democratic institutions in the individual countries.

The Foundation attempts to meet the objectives by making grants to aid self-initiated efforts, generally by nongovernmental, non-profit Latin American and Caribbean groups. These projects usually are also supported by funds provided by the grantee or other sources.

From inception through September 30, 1976, the Foundation had obligated a total of \$48 million for 422 grants, of which \$13 million for 112 grants was obligated in the 15-month period then ended. The average grant for the 15-month period was \$113,000 and grants for individual projects ranged from \$1,184 to \$1,620,442. Grants were approved for groups in 21 Latin American and Caribbean countries and the United States. (See p. 6.)

**OPINION ON FINANCIAL STATEMENTS**

Public Law 93-344 (88 Stat. 321), approved July 12, 1974, known as the Congressional Budget Act of 1974, changed the U.S. Government fiscal year from July 1 through June 30 to October 1 through September 30, beginning with fiscal year 1977. The statements included in this report for the fiscal year ended June 30, 1975, reflect a 12-month

period, and those for the period ended September 30, 1976, reflect a 15-month period. Accordingly, the financial statements lack comparability.

In GAO's opinion, the accompanying financial statements present fairly the financial position of the Inter-American Foundation at September 30, 1976, and June 30, 1975, and the results of its operations and the changes in fund balances for the periods then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

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## CHAPTER 1

### INTRODUCTION

The Inter-American Foundation is a wholly owned Government corporation established pursuant to part IV of the Foreign Assistance Act of 1969, as amended (22 U.S.C. 290f). The Foundation's purpose, as set forth in the legislation, is to strengthen bonds of friendship and understanding among the people of this hemisphere, support self-help efforts for individual development, stimulate and assist participation in the development process, and encourage democratic institutions appropriate to the requirements of the individual countries. The act directed the Foundation to place primary emphasis on

- education opportunities,
- agricultural development,
- health, maternal, and child care,
- family planning,
- housing,
- free trade union development, and
- social and economic needs of the people.

The Foundation attempts to meet its objectives by making grants to aid self-initiated projects, generally by non-governmental nonprofit Latin American and Caribbean groups. These projects usually are also supported by funds provided by the grantee or other sources.

The Foundation began operations in fiscal year 1971. Its enabling legislation authorized \$50 million to remain available to the Foundation until expended; however, the Congress establishes annual obligation limitations on this authority. In addition, Public Law 93-189 directed that the unencumbered capital resources of the Social Progress Trust Fund and future repayments of loans be available to the Inter-American Foundation for its program.

The Social Progress Trust Fund, which is administered for the U.S. Government by the Inter-American Development Bank, was established to provide capital resources and

technical assistance to support Latin American countries in initiating or expanding institutional improvements and in achieving greater social progress and more balanced economic growth. The fund contains moneys appropriated by the Congress, loan repayments, and interest payments.

In 1973, the Foundation entered into a 3-year agreement with the Inter-American Development Bank for transfer of up to \$10 million annually from the Social Progress Trust Fund. In 1976, the agreement was extended to provide the Foundation an additional \$16 million annually for the following 3 years.

Through September 30, 1976, the Foundation had obligated \$48 million in appropriated funds or Social Progress Trust Funds for 422 projects in 26 countries, and 224 of these projects, involving \$40 million in grants, were still active.

The scope of our audit of the Foundation's financial statements is described on page 8 of this report. In addition, we have included comments on certain operations of the Foundation.

#### MANAGEMENT OF THE FOUNDATION

Management of the Foundation is vested in a Board of Directors composed of seven members appointed for 6-year terms by the President, with the advice and consent of the Senate. Four of the members are to be from the private sector and three are to be officers or employees of Government agencies concerned with inter-American affairs. The President designates one board member as Chairman and one as Vice Chairman. The Board adopts bylaws, rules, and regulations for the Foundation and appoints the chief executive officers.

The Foundation's activities are conducted principally through its office in Rosslyn, Virginia. At September 30, 1976, the Foundation had 66 employees. A list of the principal officials is included as appendix I.



## CHAPTER 2

### APPROACH TO LATIN AMERICAN ASSISTANCE

In recommending the establishment of the Foundation, the House Committee on Foreign Affairs suggested a new direction and a new emphasis for U.S. assistance to Latin America. The suggestion emerged from a comprehensive re-appraisal of the Alliance for Progress made early in 1969 by the Subcommittee on Inter-American Affairs as well as from the full Committee's review of U.S. policy toward Latin America. The Committee found that the Alliance for Progress programs had done an impressive job of promoting industrial and economic growth of Latin America, but had been less successful in promoting needed social and civic changes. The Foundation was established to rectify this situation.

The Foundation issues grants to nongovernmental Latin American and Caribbean groups formed to solve social and economic problems. It does not design, operate, or provide technical assistance for projects. It believes that local people can identify and find solutions for their problems better than outsiders who have different cultural backgrounds and values.

The Foundation uses grants rather than loans to finance projects in the belief that loans discourage innovation and experimentation and would limit support to groups that have favorable repayment potentials. The Foundation states that, in considering prospective projects, every attempt is made to respect the ideas and autonomy of the project initiators. It does not negotiate or attempt to influence the project content but, after review, decides whether to assist the project.

The Foundation has not established rigid criteria for selecting grantees, because it believes such criteria could influence the ways that needs are defined or projects designed. However, certain matters are considered, including:

- Whether the group has made a commitment to social change and has the ability to handle the project's size.
- Whether the people directly affected by the project will make the policy decisions.

- Whether the project is a response to needs or only to the availability of funds.
- Whether the project can achieve social change.
- How participants will share what they learn from the project.
- Whether the local sources will contribute funds.
- Whether the group will be able to continue when short-term Foundation assistance ends.

In accordance with the Foundation's philosophy of minimal U.S. influence, project monitoring is regarded as instructional rather than judgmental. Information about the grantee's activities is obtained through grantee progress reports, independent audits, and Foundation representatives.

Grantees are required to submit progress reports to the Foundation at least every 6 months. These reports must conform to a format specified by the Foundation. Final reports on the use of grant funds must be submitted within 90 days after completion of projects or by the dates stated in the grant agreements, whichever occurs first.

For grants of \$25,000 or more, an independent auditor in the grantee's country periodically audits the grantee's effectiveness in obtaining, controlling, and using resources for the project. According to a Foundation official, approximately 90 percent of the grants active as of September 30, 1976, will be audited by an independent auditor. In most cases, the grantee selects the auditor from a Foundation list of acceptable auditors for each country. When a grantee wishes to select an auditor not on the list, the Foundation must approve the selection. Audits are conducted in accordance with Foundation guidelines. The Foundation's internal auditor examines each audit report and, if necessary, visits the independent auditor to review his workpapers or resolve issues discussed in the audit report.

A Foundation representative maintains an ongoing informal relationship with each grantee. The Foundation does not maintain permanent offices in Latin America, but its policy is to visit most grantees during the life of their projects. Travel occupies about 26 percent of a Foundation representative's time, with correspondence and telephone communication occupying much of his remaining time. The

Foundation believes in relying on an atmosphere of trust to facilitate communication between the grantee and the representative.

The Foundation also maintains a learning fellowship program which provides opportunities for pre- and post-doctoral students to study the social change process through affiliation with a grantee. The student conducts research involving an aspect of the grantee's project. Stipends vary, but average \$550 a month for periods ranging from 6 months to 2 years. As of September 30, 1976, there were 13 fellowships and the Foundation had obligated \$255,482 and expended \$190,541 for fellowships since inception.

The Foundation has recently analyzed its 5-year experience in providing grants and reported on this analysis in a book entitled "They Know How" published in 1977.

CHAPTER 3

GRANT OPERATIONS

In the 15-month period ended September 30, 1976, the Foundation received 334 requests for grants totaling \$54 million and obligated \$13 million for 112 grants. The average grant for the 15-month period was \$113,000 and grants for individual projects ranged from \$1,184 to \$1,620,442. Grants were approved for groups in 21 Latin American and Caribbean countries and the United States as shown below.

| Country            | From appropriated funds |                    | From Social Progress Trust Fund |                    | Total      |                     |
|--------------------|-------------------------|--------------------|---------------------------------|--------------------|------------|---------------------|
|                    | Projects                | Amount             | Projects                        | Amount             | Projects   | Amount              |
| Argentina          | 2                       | \$ 20,347          | 2                               | \$ 268,900         | 4          | \$ 289,247          |
| Bolivia            | 2                       | 290,948            | 4                               | 656,235            | 6          | 947,183             |
| Brazil             | 9                       | 424,304            | 13                              | 948,328            | 22         | 1,372,632           |
| Colombia           | 2                       | 17,957             | 4                               | 890,215            | 6          | 908,172             |
| Costa Rica         | 2                       | 6,326              | -                               | -                  | 2          | 6,326               |
| Chile              | 1                       | 4,496              | 8                               | 4,098,853          | 9          | 4,103,349           |
| Dominican Republic | 1                       | 232,256            | -                               | -                  | 1          | 232,256             |
| Ecuador            | 2                       | 251,528            | 2                               | 73,240             | 4          | 324,768             |
| El Salvador        | 5                       | 915,027            | 1                               | 92,312             | 6          | 1,007,339           |
| Guatemala          | 4                       | 533,190            | -                               | -                  | 4          | 533,190             |
| Guyana             | 1                       | 42,754             | -                               | -                  | 1          | 42,754              |
| Haiti              | 1                       | 199,500            | -                               | -                  | 1          | 199,500             |
| Jamaica            | 2                       | 202,350            | -                               | -                  | 2          | 202,350             |
| Mexico             | 9                       | 571,469            | 1                               | 10,739             | 10         | 582,208             |
| Panama             | 2                       | 757,305            | -                               | -                  | 2          | 757,305             |
| Paraguay           | 3                       | 157,864            | 2                               | 290,014            | 5          | 447,878             |
| Peru               | -                       | -                  | 1                               | 68,420             | 1          | 68,420              |
| Trinidad           | 1                       | 4,189              | -                               | -                  | 1          | 4,189               |
| Uruguay            | -                       | -                  | 6                               | 302,875            | 6          | 302,875             |
| Venezuela          | 1                       | 34,000             | -                               | -                  | 1          | 34,000              |
| West Indies        | 10                      | 198,217            | -                               | -                  | 10         | 198,217             |
| United States      | 8                       | 90,272             | -                               | -                  | 8          | 90,272              |
| <b>Total</b>       | <b>68</b>               | <b>\$4,954,299</b> | <b>44</b>                       | <b>\$7,700,131</b> | <b>112</b> | <b>\$12,654,430</b> |

Grants can be obligated from the Social Progress Trust Fund only when funds are available in the currency of the grantee's country; therefore, fund availability can affect the total grant obligations for a particular country. For example, the Foundation obligated a large amount of funds for acceptable proposals from Chile because sufficient Social Progress Trust funds were available. On the other hand, some countries have such funds available but have had few grants awarded because they have submitted only a few acceptable project proposals. The Foundation prefers to use Social Progress Trust funds when they are available and to use appropriated funds when they are not.

Grantees include a radio school, national development foundation, rural credit union, research group, and farmer-organized agricultural service center. Of the Foundation's total grantees, 33 percent are classified as developmental organizations; 28 percent are religious or educational organizations; and another 15 percent are research and evaluation, production, or urban community action groups.

Educational and skills training accounted for 19 percent of Foundation-funded projects and research, information dissemination, and conferences accounted for 13 percent. The remaining funded projects primarily involved technical assistance, credit, leadership training, community development, agricultural cooperatives and extension, marketing, and health. Examples of recent grants show the variety of activities supported by the Foundation.

- The purchase of a factory, to be worker-managed, to show whether the self-managed approach can be applied to small industries.
- The development of a health-delivery system using Indian paramedics, to enable Indians to control nutritional and other physical problems arising from contact with non-Indian populations.
- An educational program and vocational training for disadvantaged children, who are often victims of harmful treatment at home and at school.
- Technical assistance and credit for housing construction and rural development projects.
- Technical and financial assistance to small-farmer enterprises, to enable these enterprises to effectively increase self-determination, productivity, planning, and social cohesiveness.

CHAPTER 4  
SCOPE OF AUDIT AND  
OPINION ON FINANCIAL STATEMENTS

We have examined the statement of financial condition of the Inter-American Foundation as of September 30, 1976, and the related statements of grant disbursements and administrative expenses and changes in fund balances for the 15-month period then ended. This examination was made pursuant to the Government Corporation Control Act (31 U.S.C. 841 et seq.) in accordance with generally accepted auditing standards, and included such tests of the accounting records and such auditing procedures as we considered necessary in the circumstances. We previously examined and reported on the Foundation's statements for fiscal year 1975.

Public Law 93-344 (88 Stat. 321), approved July 12, 1974, known as the Congressional Budget Act of 1974, changed the U.S. Government's fiscal year from July 1 through June 30 to October 1 through September 30, beginning with fiscal year 1977. The statements included in this report for the fiscal year ended June 30, 1975, reflect a 12-month period; those for September 30, 1976, reflect a 15-month period. Accordingly, the financial statements lack comparability.

In our opinion the accompanying financial statements present fairly the financial position of the Inter-American Foundation at September 30, 1976 and June 30, 1975, and the results of its operations and the changes in fund balances for the periods then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States.

**FINANCIAL STATEMENTS**

INTER-AMERICAN FOUNDATION  
 COMPARATIVE STATEMENT OF FINANCIAL CONDITION  
 AT SEPTEMBER 30, 1976 AND JUNE 30, 1975 (note 1)

## ASSETS

|   | <u>1976</u>   |                     | <u>1975</u>   |                     |
|---|---------------|---------------------|---------------|---------------------|
| OPERATING FUND: (note 2)                      |               |                     |               |                     |
| Funds with U.S. Treasury Cashier imprest fund | \$21,534,465  |                     | \$30,229,653  |                     |
|   | <u>1,483</u>  | \$21,535,948        | <u>2,302</u>  | \$30,231,955        |
| Office furniture and equipment                | 80,342        |                     | 213,078       |                     |
| Less allowance for depreciation               | <u>37,464</u> | 42,878              | <u>46,898</u> | 166,180             |
| Accounts receivable                           |               | 14,724              |               | 27,812              |
| Employee travel advance                       |               | <u>11,979</u>       |               | <u>4,746</u>        |
| Total operating funds                         |               | \$21,605,529        |               | \$30,430,693        |
| SOCIAL PROGRESS TRUST FUND: (note 3)          |               |                     |               |                     |
| Fund balance                                  |               | <u>64,364,541</u>   |               | <u>23,066,891</u>   |
| Total assets                                  |               | <u>\$85,970,070</u> |               | <u>\$53,497,584</u> |

The notes on pages 14 to 17 are an integral part of the financial statements.



## LIABILITIES AND INVESTMENT OF U.S. GOVERNMENT

|                                       | <u>1976</u>         | <u>1975</u>       |                         |
|---------------------------------------|---------------------|-------------------|-------------------------|
| <b>LIABILITIES:</b>                   |                     |                   |                         |
| Operating fund                        |                     |                   |                         |
| Accounts payable                      |                     |                   |                         |
| Trade and approved                    |                     |                   |                         |
| grant disburse-                       |                     |                   |                         |
| ment requests                         | \$ 208,767          | \$ 118,116        |                         |
| Owed to U.S. Govern-                  |                     |                   |                         |
| ment agencies                         | 2,572               | 14,963            |                         |
| Accrued annual leave                  | 102,882             | 105,082           |                         |
| Accrued salaries and                  |                     |                   |                         |
| benefits                              | 81,714              | 33,492            |                         |
| Cashier funds advanced                |                     |                   |                         |
| by Treasury                           | <u>3,000</u>        | <u>3,000</u>      |                         |
| Total liabilities                     | <u>\$ 398,935</u>   | <u>\$274,653</u>  |                         |
| Obligations (note 4)                  |                     |                   |                         |
| <b>INVESTMENT OF U.S. GOVERNMENT:</b> |                     |                   |                         |
| Operating fund                        |                     |                   |                         |
| appropriation                         |                     |                   |                         |
| (note 2)                              | 50,000,000          | 50,000,000        |                         |
| Social Progress Trust                 |                     |                   |                         |
| Fund (note 3)                         | 79,000,000          | <u>31,000,000</u> |                         |
| Donations                             | <u>165</u>          | \$129,000,165     | <u>-0-</u> \$81,000,000 |
| Less accumulated dis-                 |                     |                   |                         |
| bursements and                        |                     |                   |                         |
| expenses (Schedule 2)                 | <u>43,429,030</u>   |                   | <u>27,777,069</u>       |
| Total investment of                   |                     |                   |                         |
| the U.S. Govern-                      |                     |                   |                         |
| ment (note 5)                         | <u>\$85,571,135</u> |                   | <u>\$53,222,931</u>     |
| Total liabilities                     |                     |                   |                         |
| and investment                        | <u>\$85,970,070</u> |                   | <u>\$53,497,584</u>     |

The notes on pages 14 to 17 are an integral part of the financial statements.

INTER-AMERICAN FOUNDATION  
 COMPARATIVE STATEMENT OF GRANT DISBURSEMENTS  
 AND ADMINISTRATIVE EXPENSES  
 FOR THE 15-MONTH PERIOD ENDED SEPTEMBER 30, 1976 AND  
 THE FISCAL YEAR ENDED JUNE 30, 1975

|   | <u>1976</u>         | <u>1975</u>         |
|---|---------------------|---------------------|
| GRANT DISBURSEMENTS:                                  |                     |                     |
| Grants financed with appropriated funds               | \$ 6,330,147        | \$ 5,514,246        |
| Grants financed with Social Progress Trust Fund       | <u>6,702,350</u>    | 7,711,464           |
| Total grant disbursements                             | \$13,032,497        | \$13,225,710        |
| ADMINISTRATIVE EXPENSES:                              |                     |                     |
| Employee salaries and benefits                        | 1,874,376           | 1,413,809           |
| Employee travel and transportation                    | 204,889             | 171,446             |
| Depreciation  | 17,788              | 18,311              |
| Office and equipment rental                           | 166,765             | 120,380             |
| Telephone, postage and supplies                       | 98,982              | 76,894              |
| Contracted services and other expenses                | <u>143,362</u>      | <u>94,224</u>       |
| Total administrative expenses                         | 2,506,162           | <u>1,895,064</u>    |
| Change in accounting for Furniture & Equipm. (Note 1) | <u>113,302</u>      |                     |
| Current year disbursements and expenses               | \$15,651,961        | \$15,120,774        |
| Prior year disbursements and expenses:                |                     |                     |
| Financed with appropriated funds                      | 19,843,960          | 12,434,650          |
| Financed with Social Progress Trust Fund              | <u>7,933,109</u>    | <u>221,645</u>      |
| Accumulated disbursements and expenses                | <u>27,777,069</u>   | <u>12,656,295</u>   |
|   | <u>\$43,429,030</u> | <u>\$27,777,069</u> |

The notes on pages 14 to 17 are an integral part of the financial statements.

INTER-AMERICAN FOUNDATION  
 COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE 15-MONTH PERIOD ENDED SEPTEMBER 30, 1976  
 AND THE FISCAL YEAR ENDED JUNE 30, 1975

|  | <u>1976</u>          | <u>1975</u>         |                                |
|--|----------------------|---------------------|--------------------------------|
| Fund balances beginning of year  |                      |                     |                                |
| Appropriated funds   | \$30,231,955         |                     | \$37,964,662                   |
| Social Progress Trust Fund   | <u>23,066,891</u>    | 53,298,846          | <u>29,778,355</u> \$67,743,017 |
| Funds provided:  |                      |                     |                                |
| Social Progress Trust Fund   | 48,000,000           |                     | 1,000,000                      |
| Increase in liabilities  | 124,282              |                     | -                              |
| Decrease in accounts receivable and travel advances  | 5,855                |                     | -                              |
| Donations  | <u>165</u>           | <u>48,130,302</u>   | <u>-</u> <u>1,000,000</u>      |
| Total Funds Available  | <u>\$101,429,148</u> |                     | <u>\$68,743,017</u>            |
| Funds applied:   |                      |                     |                                |
| Grant disbursements and administrative expenses  | \$15,651,961         |                     | \$15,120,774                   |
| Less nonfunded expenses (depreciation, change in accounting for furniture & equipment and loss on disposal of equipment) | <u>\$131,090</u>     | \$15,520,871        | <u>\$21,679</u> \$15,099,095   |
| Purchase of fixed assets   |                      | 7,788               | 32,161                         |
| Increase in accounts receivable and travel advances  |                      | -                   | 20,432                         |
| Decrease in liabilities  |                      | <u>-</u>            | <u>292,483</u>                 |
| Total funds applied  |                      | <u>\$15,528,659</u> | <u>\$15,444,171</u>            |
| Fund balances end of year  |                      |                     |                                |
| Appropriated funds   | \$21,535,948         |                     | \$30,231,955                   |
| Social Progress Trust Fund   | <u>64,364,541</u>    |                     | <u>23,066,891</u>              |
| Total balances end of year   |                      | <u>\$85,900,489</u> | <u>\$53,298,846</u>            |

The notes on pages 14 to 17 are an integral part of the financial statements.

## NOTES TO FINANCIAL STATEMENTS

1. The Inter-American Foundation, a U.S. Government corporation, was established pursuant to Part IV of the Foreign Assistance Act of 1969 (22 U.S.C. 290f). Its purpose is to provide support for developmental activities designed to achieve improved living conditions for Latin Americans. Until February 1972, the Foundation operated under the name of Inter-American Social Development Institute. The name was changed pursuant to Public Law 92-226 (§406(2)).

Significant accounting policies:

- a. Foundation accounting records are maintained on an accrual basis.
- b. Depreciation is computed on the straight line method based on the useful life of the assets. Depreciation is not charged in the year of acquisition, and a full year's depreciation is charged in the year of disposal. In fiscal year 1976, the Foundation adopted a new furniture and equipment capitalization policy, under which furniture and equipment acquired at a unit cost less than \$300 is charged to operating expense. Under this policy, furniture and equipment purchased prior to July 1, 1975, for less than \$300 with a book value of \$113,302 was charged to the current year's operations.
- c. In accordance with Public Law 93-344, the Foundation has adopted a new fiscal year, October 1 through September 30,

beginning with fiscal year 1977. To accomplish the transition, the statements for the period ended September 30, 1976, reflect a 15-month period.

2. Enabling legislation authorized a transfer of \$50 million to the Foundation to remain available for Foundation use until expended; however, Congress establishes annual obligation limitations on this authority. The Congressional limitation on appropriated funds was \$10 million in fiscal year 1975 and \$9,375,000 for the 15-month period ended September 30, 1976.
3. Section 36 of the Foreign Assistance Act of 1973 provided for the periodic transfer of unencumbered capital resources of the Social Progress Trust Fund, and of any future repayments or other accruals otherwise payable to such trust fund, to the Inter-American Foundation for use in its program. Such resources and future repayments consist of foreign currencies of Latin American countries. The Social Progress Trust Fund, which is owned by the U.S., is administered for the U.S. by the Inter-American Development Bank. The Congress intended that the Bank would transfer a substantial and gradually increasing proportion of SPTF funds to the Foundation, and that the Office of Management and Budget would coordinate the use of funds to be transferred.

Implementation of this Congressional mandate first occurred with the signing of an agreement dated December 20, 1973, between the Foundation and the Bank. The agreement initially provided that the

Bank would make available to the Foundation over a period of 3 years \$30 million in such foreign currencies as might be required by the Foundation to carry out its purposes. In August 1974, this amount was increased to \$31 million, and in March 1976, the agreement was amended to provide an additional \$48 million in foreign currencies over the next 3-year period. These funds have been made available to finance social development projects operated by Foundation-designated entities in the member countries of the Bank.

The status of these funds as of the end of its 1976 and 1975 years is summarized below:

|   | <u>9/30/76</u>      | <u>6/30/75</u>      |
|---|---------------------|---------------------|
| Total amounts agreed to be made available | \$79,000,000        | \$31,000,000        |
| Cumulative disbursements for projects     | <u>14,635,459</u>   | <u>7,933,109</u>    |
| Remaining interest in Fund assets         | 64,364,541          | 23,066,891          |
| Undisbursed obligations                   | <u>9,461,649</u>    | <u>8,202,899</u>    |
| Available for future obligations          | <u>\$54,902,892</u> | <u>\$14,863,992</u> |

4. At September 30, 1976, and June 30, 1975, Foundation obligations consisted of undisbursed grant balances.

|                            |                     |                     |
|----------------------------|---------------------|---------------------|
| Appropriated funds         | \$ 4,674,833        | \$ 4,923,632        |
| Social Progress Trust Fund | <u>9,461,649</u>    | <u>8,202,899</u>    |
| Total grant obligations    | <u>\$14,136,482</u> | <u>\$13,126,531</u> |

5. At September 30, 1976, investment of the U.S. Government consisted of the following:

|  | <u>Social<br/>Progress<br/>Trust Fund</u> | <u>Appropriated<br/>Funds</u> | <u>Donations</u> | <u>Total</u>         |
|--|---|-------------------------------|------------------|----------------------|
| Initial investment                                 | \$79,000,000                              | \$50,000,000                  | \$165            | \$129,000,165        |
| Less: Accumulated<br>disbursements<br>and expenses | <u>14,635,459</u>                         | <u>28,793,571</u>             |                  | <u>43,429,030</u>    |
| Investment of the<br>U.S. Government               | <u>\$64,364,541</u>                       | <u>\$21,206,429</u>           | <u>\$165</u>     | <u>\$ 85,571,135</u> |

**APPENDIX**



INTER-AMERICAN FOUNDATIONBOARD OF DIRECTORSAS OF SEPTEMBER 30, 1976

|                                   | <u>Appointed</u> |
|-----------------------------------|------------------|
| Augustin S. Hart, Jr., Chairman   | Sept. 21, 1970   |
| George Cabot Lodge, Vice Chairman | Sept. 21, 1970   |
| John Richardson, Jr.              | Dec. 10, 1975    |
| Charles A. Meyer                  | Apr. 25, 1974    |
| William D. Rogers                 | Dec. 10, 1975    |
| William S. Mailliard              | Dec. 10, 1975    |

PRINCIPAL OFFICIALSAS OF SEPTEMBER 30, 1976

|  | <u>Appointed</u> |
|--|------------------|
| William M. Dyal, Jr., President        | Mar. 15, 1971    |
| Paul C. Bell, <u>a</u> /Vice President | Jan. 28, 1972    |
| Leon M. Parke, Executive Officer       | May 16, 1971     |
| Hugh B. Key, General Counsel           | May 10, 1975     |

a/Subsequent to this date, the office of Vice President was removed from the line of direct operational responsibilities.