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

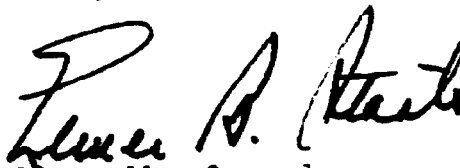
B-197968

JUNE 5, 1980

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

This report provides our opinion on our examination
of the financial statements of the Inter-American Foundation
for fiscal years 1979 and 1978, 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; the Secretary of the
Treasury; and the Board of Directors, Inter-American
Foundation.


Comptroller General
of the United States



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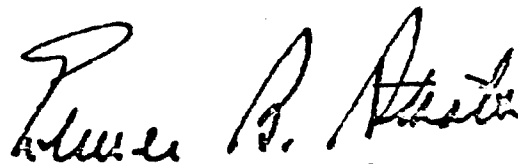
B-197968

March 17, 1980

To the Board of Directors
Inter-American Foundation

We have examined the statement of financial condition of the Inter-American Foundation as of September 30, 1979, and 1978, and the related statements of investment of the U.S. Government, grant disbursements and administrative expenses, and changes in financial position for the fiscal years ended. This examination was made pursuant to the Government Corporation Control Act (31 U.S.C. 841 et seq.) and in accordance with Comptroller General standards for financial and compliance audits and included such tests of the accounting of records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Inter-American Foundation at September 30, 1979, and September 30, 1978, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.


Comptroller General
of the United States

SCHEDULE 1

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF FINANCIAL CONDITION
AT SEPTEMBER 30, 1979 and 1978

	ASSETS		
	<u>1979</u>		<u>1978</u>
Funds with U.S. Treasury (note 2)	\$9,668,968		\$ 9,497,670
Undeposited Collections	-		35,333
Cashier imprest fund	<u>1,954</u>		<u>2,280</u>
Total cash		\$ 9,670,922	\$ 9,535,283
Due from Social Progress Trust Fund (note 3)		31,583,449	40,156,680
Accounts receivable		2,497	12,225
Employee travel advances		16,821	7,383
Office furniture and equipment	161,672		122,269
Less allowance for depreciation	<u>81,012</u>	<u>80,660</u>	<u>63,580</u>
Total assets		<u>\$41,354,349</u>	<u>\$49,770,260</u>

The notes on pages 6 to 8 are an integral part of the financial statements.

SCHEDULE 1

LIABILITIES, DEFERRED FUNDS, AND INVESTMENT OF U.S. GOVERNMENT

	<u>1979</u>	<u>1978</u>
LIABILITIES		
Accounts payable		
Trade and approved		
grant disbursement		
requests	\$ 71,971	\$196,953
Owed to U.S. Government		
agencies	19,208	32,280
Accrued annual leave	98,978	112,044
Accrued salaries and		
benefits	98,659	92,092
Cashier funds advanced		
by Treasury	<u>3,000</u>	<u>3,000</u>
Total liabilities	\$ 291,816	\$ 436,369
Obligations (note 4)		
DEFERRED SOCIAL PROGRESS TRUST		
FUND (note 3)	31,583,449	40,156,680
INVESTMENT OF U.S GOVERNMENT (Schedule 2)	<u>9,479,084</u>	<u>9,177,211</u>
Total liabilities, deferred		
funds, and investment	<u>\$41,354,349</u>	<u>\$49,770,260</u>

The notes on pages 6 to 8 are an integral part of the financial statements.

SCHEDULE 2

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF CHANGES IN
THE INVESTMENT OF U.S. GOVERNMENT
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1979 and 1978

	1979		1978	
	Appropriated Funds	Social Progress Trust Fund	Appropriated Funds	Social Progress Trust Fund
Initial Investment	\$50,000,000	\$31,000,000	\$50,000,000	\$31,000,000
Add: Donations	1,365	-	465	-
Additional investment	<u>10,000,000</u>	<u>48,000,000</u>	<u>-</u>	<u>48,000,000</u>
	60,001,365	79,000,000	50,000,465	79,000,000
Less: Lapse of unobligated funds	-	5,093,662	-	5,093,662
Deobligated funds				
Prior Years	-	57,440	-	57,440
Current Year	<u>-</u>	<u>477,299</u>	<u>-</u>	<u>-</u>
Net available funds	<u>60,001,365</u>	<u>73,371,599</u>	<u>50,000,465</u>	<u>73,848,898</u>
Less: Disbursements and expenses				
Prior Years	40,823,254	33,692,218	33,928,454	24,965,410
Current Year	<u>9,699,027</u>	<u>8,095,932</u>	<u>6,894,800</u>	<u>8,726,808</u>
Total	50,522,281	41,788,150	40,823,254	33,692,218
Deferral of unexpended portion of Social Progress Trust Fund	<u>-</u>	<u>31,583,449</u>	<u>-</u>	<u>40,156,680</u>
Investment of U.S. Government	<u>\$ 9,479,084</u>	<u>-</u>	<u>\$ 9,177,211</u>	<u>-</u>

The notes on pages 6 to 8 are an integral part of the financial statements.

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF GRANT DISBURSEMENTS
AND ADMINISTRATIVE EXPENSES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
SOCIAL PROGRESS TRUST FUND:		
Grant funds provided (note 3)	\$8,095,932	\$ 8,726,808
Less:		
Grant disbursements	<u>8,095,932</u>	<u>8,726,808</u>
OPERATING FUND APPROPRIATION:		
Grant disbursements	\$7,218,269	\$4,394,247
Administrative expenses:		
Employee salaries and benefits	1,690,597	1,581,886
Employee travel and transportation	225,348	236,750
Depreciation	17,432	12,231
Office and equipment rental	147,005	138,400
Telephone, postage and supplies	139,883	129,635
Contracted services and other expenses	260,493	388,398
Exchange rate adjustment for accounts receivable	<u>-</u>	<u>13,253</u>
Total administrative expenses	<u>2,480,758</u>	<u>2,500,553</u>
Total disbursements and expenses financed with appropriated funds	<u>\$9,699,027</u>	<u>\$6,894,800</u>

The notes on pages 6 to 8 are an integral part of the financial statements.

SCHEDULE 4

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL
POSITION FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Funds Provided:		
Decrease in funds due from Social Progress Trust Fund	\$ 8,630,671	\$ 8,784,248
Less lapse of unobligated and deobligated funds	534,739	57,440
	<u>8,095,932</u>	<u>8,726,808</u>
Appropriated funds	10,000,000	—
Items not decreasing cash:		
Depreciation and loss on disposal of equipment	17,432	12,232
Decrease in accounts receivable and travel advances	290	320,119
Increase in liabilities	—	129,604
Donations	900	—
Total funds provided	<u>\$18,114,554</u>	<u>\$ 9,188,763</u>
Funds Applied:		
Grant disbursements and administrative expenses:		
Social Progress Trust Fund	\$ 8,095,932	\$ 8,726,808
Appropriated Funds	9,699,027	6,894,800
	<u>17,794,959</u>	<u>15,621,608</u>
Purchase of fixed assets	39,403	42,548
Decrease in liabilities	144,553	—
Total funds applied	<u>\$17,978,915</u>	<u>\$15,664,156</u>
(Increase)/Decrease in Cash	<u>\$ (135,639)</u>	<u>\$ 6,475,393</u>
Change in Cash Balance:		
Cash balance, end of year	\$ 9,670,922	\$ 9,535,283
Cash balance, beginning of year	<u>9,535,283</u>	<u>16,010,676</u>
(Increase)/Decrease in Cash	<u>\$ (135,639)</u>	<u>\$ 6,475,393</u>

The notes on pages 6 to 8 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 conditions for Latin Americans and the Caribbeans. 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.
2. In 1969 enabling legislation authorized a transfer of \$50,000,000 of appropriated funds to the Foundation to remain available for Foundation use until expended; however, Congress established annual obligation limitations on this authority. The Congressional limitation on appropriated funds was \$7,062,000 for fiscal year 1978. At the end of fiscal year 1978 there was \$4,654,000 remaining in the appropriation account. For fiscal year 1979, Congress provided that an amount not to exceed \$3,618,000 would be available

from previously appropriated funds; it also appropriated an additional \$10,000,000 to be available during the year.

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 the trust 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. Of this amount \$25,906,338 were obligated and \$5,093,662 lapsed during fiscal year 1977. An additional \$534,739 of unused funds obligated under the 1973 agreement lapsed and were de-obligated, \$57,440 during fiscal year 1978, and \$477,299 during fiscal year 1979. As a result, the Bank's commitment to make funds available from resources allocated during the initial 3-year period was reduced by the amount of these fund lapses.

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 1979 and 1978 fiscal years is summarized below:

	<u>9/30/79</u>	<u>9/30/78</u>
Total amounts agreed to be made available	<u>\$79,000,000</u>	<u>\$79,000,000</u>
Less: Adjustment for loss of funds which were not obligated during first 3-year period as provided under agreement.	5,093,662	5,093,662
De-obligation of unused 1973 to 1976 program funds.	<u>534,739</u> <u>5,628,401</u>	<u>57,440</u> <u>5,151,102</u>
Net available	73,371,599	73,848,898
Cumulative disbursements for projects	<u>41,788,150</u>	<u>33,692,218</u>
Remaining interest in Fund assets	31,583,449	40,156,680
Undisbursed obligations	<u>8,512,547</u>	<u>10,217,566</u>
Available for future obligations	<u>\$23,070,902</u>	<u>\$29,939,114</u>

4. At September 30, 1979, and September 30, 1978, Foundation undisbursed obligations were:

Appropriated funds	\$ 7,565,461	\$ 4,371,403
Social Progress Trust Fund	<u>8,512,547</u>	<u>10,217,566</u>
Total undisbursed obligations	<u>\$16,078,008</u>	<u>\$14,588,969</u>