

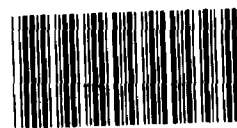
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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202917

4 MAY 1981



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To the Board of Directors
Inter-American Foundation

We have examined the statements of financial condition of the Inter-American Foundation as of September 30, 1980 and 1979, and the related statements of investment of the U.S. Government, grant disbursements and expenses, and changes in financial position for the years then ended. Our examinations were made pursuant to the Government Corporation Control Act (31 U.S.C 841-870) and in accordance with generally accepted Government auditing standards, and accordingly included such tests of the accounting 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, 1980 and 1979, and the results of its operations and changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Milton J. Rowland

Acting Comptroller General
of the United States.

Title and Rpt # on form

11-8

SCHEDULE 1

SCHEDULE 1

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF FINANCIAL CONDITION
AT SEPTEMBER 30, 1980 and 1979

	<u>1980</u>	ASSETS	<u>1979</u>	
Funds with U.S. Treasury:				
Appropriated funds (note 2)	\$12,454,027		\$ 9,668,968	
Social Progress Trust Fund (note 3)	3,574,449		-	
Undeposited collections	251		-	
Cashier imprest fund	<u>1,925</u>		<u>1,954</u>	
Total cash		\$16,030,652		\$ 9,670,922
Due from Social Progress Trust Fund (note 3)		49,227,303		31,583,449
Accounts receivable		17,535		2,497
Employee travel advances		25,715		16,821
Office furniture and equipment	165,079		161,672	
Less allowance for depreciation	<u>102,495</u>	<u>62,584</u>	<u>81,012</u>	<u>80,660</u>
Total assets		<u>\$65,363,789</u>		<u>\$41,354,349</u>

The notes on pages 7 to 11 are an integral part of this statement.

SCHEDULE 1

SCHEDULE 1

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

	<u>1980</u>	<u>1979</u>
LIABILITIES		
Accounts payable:		
Trade accounts	\$111,149	\$71,971
Approved grant disbursement requests	738,070	-
Owed to U.S. Government agencies	13,292	19,208
Accrued consultant fees	12,953	-
Accrued annual leave	112,753	98,978
Accrued salaries and benefits	53,051	98,659
Cashier funds advanced by Treasury	<u>3,000</u>	<u>3,000</u>
Total liabilities	\$ 1,044,268	\$ 291,816
Obligations (note 4)		
DEFERRED PORTION OF SOCIAL PROGRESS TRUST FUND (note 3)	49,227,303	31,583,449
INVESTMENT OF U.S GOVERNMENT (Schedule 2)	<u>15,092,218</u>	<u>9,479,084</u>
Total liabilities, deferred funds, and investment	<u>\$65,363,789</u>	<u>\$41,354,349</u>

The notes on pages 7 to 11 are an integral part of this statement.

SCHEDULE 2

SCHEDULE 2

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF CHANGES IN
THE INVESTMENT OF U.S. GOVERNMENT
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1980 and 1979

	1980		1979	
	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	21,365	-	1,365	-
Additional investment	<u>22,582,000</u>	<u>96,000,000</u>	<u>10,000,000</u>	<u>48,000,000</u>
	<u>72,603,365</u>	<u>127,000,000</u>	<u>60,001,365</u>	<u>79,000,000</u>
Less: Lapse of unobligated funds	-	21,585,369	-	5,093,662
Deobligated funds				
Prior years	-	534,739	-	57,440
Current year	<u>-</u>	<u>690,418</u>	<u>-</u>	<u>477,299</u>
Net available funds	<u>72,603,365</u>	<u>104,189,474</u>	<u>60,001,365</u>	<u>73,371,599</u>
Less: Grant disbursements and expenses				
Prior years	50,522,281	41,788,150	40,823,254	33,692,218
Current year	<u>10,540,815</u>	<u>9,622,072</u>	<u>9,699,027</u>	<u>8,095,932</u>
Total	61,063,096	51,410,222	50,522,281	41,788,150
Deferred portion of Social Progress Trust Fund (note 3)	<u>-</u>	<u>49,227,303</u>	<u>-</u>	<u>31,583,449</u>
Investment of U.S. Government	<u>\$11,540,269</u>	<u>\$3,551,949</u>	<u>\$9,479,084</u>	<u>-</u>

The notes on pages 7 to 11 are an integral part of this statement.

SCHEDULE 3

SCHEDULE 3

INTER-AMERICAN FOUNDATION
 COMPARATIVE STATEMENT OF GRANT DISBURSEMENTS
 AND EXPENSES
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 1980 and 1979

	<u>1980</u>	<u>1979</u>
SOCIAL PROGRESS TRUST FUND:		
Grant disbursements	\$9,576,817	\$8,095,932
Net loss on foreign currency exchange	<u>45,255</u>	<u>-</u>
Total	<u>\$9,622,072</u>	<u>\$8,095,932</u>
APPROPRIATED FUNDS:		
Grant disbursements	\$7,354,161	\$7,218,269
Administrative expenses:		
Employee salaries and benefits	\$2,009,055	\$1,690,597
Travel and transpor- tation	329,485	225,348
Depreciation	21,483	17,432
Office and equipment rental	181,852	147,005
Telephone, postage and supplies	140,854	139,883
Contracted services and other expenses	<u>503,925</u>	<u>260,493</u>
Total administrative expenses	<u>3,186,654</u>	<u>2,480,758</u>
Total disbursements and expenses financed with appropriated funds	<u>\$10,540,815</u>	<u>\$9,699,027</u>
Total disbursements and expenses	<u>\$20,162,887</u>	<u>\$17,794,959</u>

The notes on pages 7 to 11 are an integral part of this statement.

SCHEDULE 4

SCHEDULE 4

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL
POSITION FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 1980 and 1979

	<u>1980</u>	<u>1979</u>
Funds provided:		
Social Progress Trust Fund (note 3):		
Deferred portion, beginning of year	\$31,583,449	\$40,156,680
Additional amount agreed to be made available	<u>48,000,000</u>	<u>-</u>
Total	79,583,449	40,156,680
Less deferred portion, end of year	<u>49,227,303</u>	<u>31,583,449</u>
Total available during year	30,356,146	8,573,231
Less lapse of unobligated and deobligated funds	<u>17,182,125</u>	<u>477,299</u>
Net amount provided by Social Progress Trust Fund	13,174,021	8,095,932
Appropriated funds	12,582,000	10,000,000
Items not decreasing cash:		
Depreciation and loss on disposal of equipment	21,483	17,432
Decrease in accounts receivable and travel advances	-	290
Increase in liabilities	752,452	-
Donations	<u>20,000</u>	<u>900</u>
Total funds provided	<u>\$26,549,956</u>	<u>\$18,114,554</u>

The notes on pages 7 to 11 are an integral part of this statement.

SCHEDULE 4

SCHEDULE 4

FUNDS APPLIED AND CHANGE IN CASH BALANCE

	<u>1980</u>	<u>1979</u>
Funds applied:		
Grant disbursements and expenses:		
Social Progress Trust Fund	\$ 9,622,072	\$ 8,095,932
Appropriated funds	<u>10,540,815</u>	<u>9,699,027</u>
Total disbursements and expenses	20,162,887	17,794,959
Purchase of fixed assets	3,407	39,403
Increase in accounts receivable and travel advances	23,932	-
Decrease in liabilities	<u>-</u>	<u>144,553</u>
Total funds applied	<u>\$20,190,226</u>	<u>\$17,978,915</u>
Increase/(decrease) in cash	<u>\$ 6,359,730</u>	<u>\$ 135,639</u>
Change in cash balance:		
Cash balance, end of year	\$16,030,652	\$ 9,670,922
Cash balance, beginning of year	<u>9,670,922</u>	<u>9,535,283</u>
Increase/(decrease) in cash	<u>\$ 6,359,730</u>	<u>\$ 135,639</u>

The notes on pages 7 to 11 are an integral part of this statement.

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 Caribbeans. Until February 1972, the Foundation operated under the name of the 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. Furniture and equipment acquired at a unit cost of less than \$300 are 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. At the end of fiscal year 1978 there was \$4,654,000 remaining in the appropriation account. The Congress provided

that up to \$3,618,000 of this amount would be available to the Foundation in fiscal year 1979 and appropriated an additional \$10,000,000 for that year's operations. At the end of fiscal year 1979 the Foundation had \$1,480,000 remaining in its appropriation account. The Foundation determined that \$1,036,000 of this amount could be made available for obligation during fiscal year 1980. By a joint resolution the Congress appropriated funds for continuing Foundation activities in fiscal year 1980 at the fiscal year 1979 funding level. As a result of this action, the Foundation received an additional \$12,582,000 in appropriated funds for fiscal year 1980, making a total of \$13,618,000 in appropriated funds available for Foundation use during the year.

3. The Social Progress Trust Fund, which is owned by the U.S., is administered for the U.S. by the Inter-American Development Bank. Section 36 of the Foreign Assistance Act of 1973 provided for the periodic transfer of unencumbered capital resources of this fund, and of any future repayments or other accruals otherwise payable to the fund, to the Inter-American Foundation for use in its program. These resources and future repayments consist of foreign currencies in Latin American countries. The Congress intended that the Bank would transfer a substantial and gradually increasing proportion of the fund to the Foundation.

On December 20, 1973, the Foundation and the Bank entered into an agreement to carry out this congressional mandate. The agreement provided that the Bank would make available \$30 million in foreign currencies to finance Foundation-sponsored social development projects in member countries of the Bank during calendar years 1974 through 1976. In August 1974 this amount was increased to \$31 million. The availability of \$5,093,662 of these funds lapsed in fiscal year 1977 when they had not been obligated by the Foundation by the end of the 3-year period.

In March 1976 the agreement was amended to provide the Foundation with an additional \$48 million in foreign currencies for use during calendar years 1977 through 1979. The availability of \$16,491,707 of these funds lapsed in fiscal year 1980 when they had not been obligated by the end of the 3-year period.

Two important reasons why a sizable amount of Social Progress Trust Fund monies available to the Foundation has not been utilized are limited distribution among the countries in which the Foundation operates and categorical limitations on the types of projects that can be funded. Foundation management believes both of these problems will be considerably alleviated under the terms of the 1980-1982 agreement.

Additional lapses totaling \$1,225,157 occurred when some previously obligated funds were deobligated (\$57,440 in fiscal year 1978, \$477,299 in fiscal year 1979, and \$690,418 in fiscal year 1980).

In March 1980 the Bank agreed to make an additional \$48 million in foreign currencies available to the Foundation during calendar years 1980 through 1982, but with a new procedure for transferring the funds. Formerly, the Bank disbursed the foreign currencies directly to Foundation grantees. Under the present arrangement, the Bank transfers the currencies to the U.S. Treasury, which uses them to meet its needs for local currencies in the countries involved. As these expenditures are made, the Treasury credits the Foundation's Treasury account with equivalent amounts of U.S. dollars based on in-country currency exchange rates in effect at the time. When local currencies are needed for disbursements to Foundation grantees, the Treasury purchases the required currencies with these funds.

Because the revised procedure involves the conversion of foreign currencies to U.S. dollars, currency exchange gains or losses sometimes occur. The net amount of these gains and losses is shown in the Foundation's financial statements. Also shown are the deferred portion of the Social Progress Trust Fund due from the Bank or in process of being transferred to the U.S. Treasury and that portion in the Foundation's account with the Treasury.

The status of the Foundation's interest in the Social Progress Trust Fund at the end of its 1980 and 1979 fiscal years is summarized below.

		<u>9/30/80</u>		<u>9/30/79</u>
Total amount agreed to be made available		\$127,000,000		\$79,000,000
Less: Adjustment for loss of funds not obligated during periods of availability	\$21,585,369		\$5,093,662	
Deobligation of unused funds	<u>1,225,157</u>	<u>22,810,526</u>	<u>534,739</u>	<u>5,628,401</u>
Net available		104,189,474		73,371,599
Cumulative disbursements and expenses:				
Grant disbursements	\$51,364,967		\$41,788,150	
Currency exchange loss	<u>45,255</u>	<u>51,410,222</u>	<u>-</u>	<u>41,788,150</u>
Remaining interest in fund assets		52,779,252		31,583,449
Undisbursed obligations		<u>12,234,225</u>		<u>8,512,547</u>
Available for future obligations		<u>\$40,545,027</u>		<u>\$23,070,902</u>

4. At September 30, 1980 and September 30, 1979, Foundation undisbursed obligations were:

Appropriated funds	\$9,362,096	\$7,565,461
Social Progress Trust Fund	<u>\$12,234,225</u>	<u>8,512,547</u>
Total undisbursed obligations	<u>\$21,596,321</u>	<u>\$16,078,008</u>