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BY THE COMPTROLLER GENERAL



Report To The Congress OF THE UNITED STATES

101444

Examination Of Financial Statements Of The Inter-American Foundation For Fiscal Years Ended September 30, 1978 And 1977

An examination was conducted by GAO examined the statement of financial condition of the Inter-American Foundation, a U.S. Government corporation, as of September 30, 1978 and 1977, 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 then ended pursuant to the Government Corporation Control Act. *AGC 100650*

①

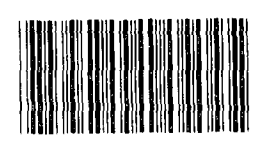
Rep reviewed

③

In GAO's opinion the accompanying financial statements present fairly the financial position of the Foundation, as of the dates specified above, the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

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The Foundation was established under the Foreign Assistance Act to provide support for development activities designed to achieve improved conditions for Latin Americans and Caribbeans. Until 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)).



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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 is our report on the examination of the financial statements of the Inter-American Foundation for fiscal years 1978 and 1977, 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 President and Chairman of the Board of Directors, Inter-American Foundation.

A handwritten signature in black ink, reading "James B. Stuckey".

Comptroller General
of the United States



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

B-135075

MAY 18, 1979

To the Board of Directors
Inter-American Foundation

AGC00652

We have examined the statement of financial condition of the Inter-American Foundation as of September 30, 1978, and 1977, and ^{we} ~~the~~ ^{examined} ~~related~~ statements of investment of the U.S. Government, grant disbursements and administrative expenses, and changes in financial position ^{was} ~~for~~ ^{the} ~~the~~ fiscal years 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 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, 1978, and September 30, 1977, 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 after giving retroactive effect to the change, with which we concur, in accounting for the Social Program Trust Fund as described in note 1c to the financial statements.

Sincerely yours,

James B. Stutz

Comptroller General
of the United States

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF FINANCIAL CONDITION
AT SEPTEMBER 30, 1978 and 1977

	<u>1978</u>	ASSETS	<u>1977</u>
Funds with U.S. Treasury (note 2)	\$9,497,670		\$16,009,089
Undeposited Collections	35,333		-
Cashier imprest fund	<u>2,280</u>		<u>1,587</u>
Total cash		\$ 9,535,283	\$16,010,676
Due from Social Progress Trust Fund (note 3)		40,156,680	48,940,928
Accounts receivable		12,225	322,582
Employee travel advance		7,383	17,145
Office furniture and equipment	122,269		79,721
Less allowance for depreciation	<u>63,580</u>	<u>58,689</u>	<u>51,348</u>
Total assets		<u>\$49,770,260</u>	<u>\$65,319,704</u>

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

SCHEDULE 1

SCHEDULE 1

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

	<u>1978</u>	<u>1977</u>
LIABILITIES		
Accounts payable		
Trade and approved		
grant disbursement		
requests	\$196,953	\$ 99,883
Owed to U.S. Government		
agencies	32,280	18,459
Accrued annual leave	92,092	96,706
Accrued salaries and		
benefits	112,044	88,717
Cashier funds advanced		
by Treasury	<u>3,000</u>	<u>3,000</u>
Total liabilities	\$ 436,369	\$ 306,765
Obligations (note 4)		
DEFERRED SOCIAL PROGRESS TRUST		
FUND (notes 1c and 3)	40,156,680	48,940,928
INVESTMENT OF U.S. GOVERNMENT (Schedule 2)	<u>9,177,211</u>	<u>16,072,011</u>
Total liabilities, deferred		
funds, and investment	<u>\$49,770,260</u>	<u>\$65,319,704</u>

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

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, 1978 and 1977

	1978		1977	
	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	465	-	465	-
Additional investment	-	48,000,000	-	48,000,000
	50,000,465	79,000,000	50,000,465	79,000,000
Less: Lapse of unobligated and deobligated funds				
Prior Years	-	5,093,662	-	-
Current Year	-	57,440	-	5,093,662
Net available funds	<u>50,000,465</u>	<u>73,848,898</u>	<u>50,000,465</u>	<u>73,906,338</u>
Less: Disbursements and expenses				
Prior Years	33,928,454	24,965,410	28,793,571	14,635,459
Current Year	<u>6,894,800</u>	<u>8,726,808</u>	<u>5,134,883</u>	<u>10,329,951</u>
Total	40,823,254	33,692,218	33,928,454	24,965,410
Deferral of unexpended portion of Social Progress Trust Fund	-	<u>40,156,680</u>	-	<u>48,940,928</u>
Investment of U.S. Government	<u>\$ 9,177,211</u>	<u>-</u>	<u>\$16,072,011</u>	<u>-</u>

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

SCHEDULE 3

SCHEDULE 3

INTER-AMERICAN FOUNDATION
 COMPARATIVE STATEMENT OF GRANT DISBURSEMENTS
 AND ADMINISTRATIVE EXPENSES
 FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 1978 and 1977

	<u>1978</u>		<u>1977</u>	
SOCIAL PROGRESS TRUST FUND:				
Grant funds provided (notes 1c and 3)	\$8,726,808		\$10,329,951	
Less:				
Grant disbursements	<u>8,726,808</u>	-	<u>10,329,951</u>	-
OPERATING FUND APPROPRIATION:				
Grant disbursements		\$4,394,247		\$2,946,958
Administrative expenses:				
Employee salaries and benefits	1,581,886		1,495,326	
Employee travel and transportation	236,750		232,899	
Depreciation	12,231		13,884	
Office and equipment rental	138,400		144,436	
Telephone, postage and supplies	129,635		104,883	
Contracted services and other expenses	388,398		196,497	
Exchange rate adjustment for accounts receivable	<u>13,253</u>		<u>-</u>	
Total administrative expenses		<u>2,500,553</u>		<u>2,187,925</u>
Total disbursements and expenses financed with appropriated funds		<u>\$6,894,800</u>		<u>\$5,134,883</u>

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

INTER-AMERICAN FOUNDATION
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL
POSITION FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 1978 and 1977

	<u>1978</u>	<u>1977</u>
Funds Provided:		
Decrease in funds due from Social Progress Trust Fund	\$ 8,784,248	\$15,423,613
Less lapse of unobligated and deobligated funds	<u>(57,440)</u> 8,726,808	<u>(5,093,662)</u> 10,329,951
Items not decreasing cash:		
Depreciation and loss on disposal of equipment	12,232	14,505
Decrease in accounts receivable and travel advances	320,119	-
Increase in liabilities	129,604	-
Donations	-	300
Total funds provided	<u>\$ 9,188,763</u>	<u>\$10,344,756</u>
Funds Applied:		
Grant disbursements and administrative expenses:		
Social Progress Trust Fund	\$ 8,726,808	\$10,329,951
Appropriated Funds	<u>6,894,800</u> 15,621,608	<u>5,134,883</u> 15,464,834
Purchase of fixed assets	42,548	-
Increase in accounts receivable and travel advances	-	313,024
Decrease in liabilities	<u>-</u>	<u>92,170</u>
Total funds applied	<u>\$15,664,156</u>	<u>\$15,870,028</u>
Decrease in Cash	<u>\$ 6,475,393</u>	<u>\$ 5,525,272</u>
Change in Cash Balance:		
Cash balance, end of year	\$ 9,535,283	\$16,010,676
Cash balance, beginning of year	<u>16,010,676</u>	<u>21,535,948</u>
Decrease in Cash	<u>\$ 6,475,393</u>	<u>\$ 5,525,272</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.
- c. In fiscal year 1978, the Foundation adopted a change in its financial statement presentation to show the unexpended portion of the Social Progress Trust Fund as a deferred credit on the statement of financial condition, and an amount equal to the current year's expended portion as grant funds provided on the statement of grant disbursements and administrative expenses. The retroactive effect of these changes also is shown in the financial statements.

2. Enabling legislation authorized a transfer of \$50,000,000 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 \$7,000,000 for fiscal year 1977 and \$7,062,000 for fiscal year 1978.

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 \$57,440 of unused funds

obligated under the 1973 agreement lapsed and were de-obligated in fiscal year 1978. 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 1978 and 1977 fiscal years is summarized below:

	<u>9/30/78</u>	<u>9/30/77</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.	57,440	-
	<u>5,151,102</u>	<u>5,093,662</u>
Net available	73,848,898	73,906,338
Cumulative disbursements for projects	<u>33,692,218</u>	<u>24,965,410</u>
Remaining interest in Fund assets	40,156,680	48,940,928
Undisbursed obligations	<u>10,217,566</u>	<u>10,504,404</u>
Available for future obligations	<u>\$29,939,114</u>	<u>\$38,436,524</u>

4. At September 30, 1978, and September 30, 1977, Foundation undisbursed obligations were:

Appropriated funds	\$ 4,371,403	\$ 5,203,914
Social Progress Trust Fund	<u>10,217,566</u>	<u>10,504,404</u>
Total undisbursed obligations	<u>\$14,588,969</u>	<u>\$15,708,318</u>

INTER-AMERICAN FOUNDATION
BOARD OF DIRECTORS
AS OF SEPTEMBER 30, 1978

	<u>Appointed</u>
Peter T. Jones, Chairman	May 24, 1978
Charles A. Meyer, Vice Chairman	Apr. 25, 1974
Alberto Ibarguen	May 24, 1978
Arnold Nachmanoff	May 24, 1978
Carolyn R. Payton	May 24, 1978
Manuel R. Caldera	Sept. 30, 1976
Viron P. Vaky	Jul. 14, 1978

PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 1978

William M. Dyal, Jr., President	Mar. 15, 1971
Leon M. Parker, Executive Officer	May 16, 1971
Lawrence E. Bruce, Jr., General Counsel	Feb. 13, 1978

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