

# **International Foundation for Electoral Systems**

Financial Report  
September 30, 2022

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## Independent Auditor's Report

Board of Directors  
International Foundation for Electoral Systems

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of International Foundation for Electoral Systems (IFES), which comprise the statements of financial position as of September 30, 2022 and 2021; the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IFES as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IFES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IFES's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IFES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IFES's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2023, on our consideration of IFES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of IFES's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IFES's internal control over financial reporting and compliance.

***RSM US LLP***

McLean, Virginia  
April 26, 2023

**International Foundation for Electoral Systems**

**Statements of Financial Position  
September 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 13,671,118	\$ 19,881,594
Grants receivables, net	8,516,058	5,046,005
Subrecipient advances	816,966	581,940
Prepaid expenses and other current assets	1,062,713	1,384,233
Restricted cash and cash equivalents	830,724	830,640
Property and equipment, net	2,174,910	2,147,747
	<u>2,174,910</u>	<u>2,147,747</u>
<b>Total assets</b>	<b>\$ 27,072,489</b>	<b>\$ 29,872,159</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,680,899	\$ 5,038,543
Accrued salaries, taxes and leave	3,682,198	3,331,150
Refundable advances	9,439,945	13,381,088
Deferred rent	3,413,687	3,599,896
	<u>3,413,687</u>	<u>3,599,896</u>
<b>Total liabilities</b>	<b>22,216,729</b>	<b>25,350,677</b>
Commitments and contingencies (Note 6)		
Net assets:		
Without donor restrictions	4,444,169	4,090,795
With donor restrictions	411,591	430,687
	<u>411,591</u>	<u>430,687</u>
<b>Total net assets</b>	<b>4,855,760</b>	<b>4,521,482</b>
	<u>4,855,760</u>	<u>4,521,482</u>
<b>Total liabilities and net assets</b>	<b>\$ 27,072,489</b>	<b>\$ 29,872,159</b>
	<u>\$ 27,072,489</u>	<u>\$ 29,872,159</u>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statements of Activities**

**Years Ended September 30, 2022 and 2021**

	2022	2021
Changes in net assets without donor restrictions:		
Support and revenues:		
Federal grants and co-op agreements	\$ 59,131,847	\$ 54,416,450
Non-federal awards and private grants	26,937,564	21,727,048
Contributions	570,985	225,600
Other	88,540	208
Net assets released from restrictions	19,096	4,506
<b>Total support and revenues</b>	<b>86,748,032</b>	<b>76,373,812</b>
Expenses:		
Program services:		
Africa	15,562,261	16,370,389
Americas	5,323,958	3,318,370
Asia	21,641,517	18,710,211
Middle East and North Africa	15,461,554	13,705,409
Europe and Eurasia	13,524,987	12,107,446
Center for Applied Research	4,476,387	3,127,550
Supporting services:		
General and administrative	10,269,658	8,683,375
Fundraising	134,336	6,885
<b>Total expenses</b>	<b>86,394,658</b>	<b>76,029,635</b>
<b>Change in net assets without donor restrictions</b>	<b>353,374</b>	<b>344,177</b>
Changes in net assets with donor restrictions:		
Contributions	-	7,500
Net assets released from restrictions	(19,096)	(4,506)
<b>Change in net assets with donor restrictions</b>	<b>(19,096)</b>	<b>2,994</b>
<b>Change in net assets</b>	<b>334,278</b>	<b>347,171</b>
Net assets:		
Beginning	4,521,482	4,174,311
Ending	\$ 4,855,760	\$ 4,521,482

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statement of Functional Expenses  
Year Ended September 30, 2022**

	Program Services						Supporting Services		Total
	Africa	Americas	Asia	Middle East and North Africa	Europe and Eurasia	Center for Applied Research	General and Administrative	Fundraising	
Compensation	\$ 4,727,644	\$ 2,169,085	\$ 6,200,365	\$ 4,898,670	\$ 5,786,440	\$ 2,302,534	\$ 5,197,984	\$ -	\$ 31,282,722
Payroll taxes	216,821	99,480	284,364	224,665	265,380	105,600	238,392	-	1,434,702
Retirement plan	172,114	78,968	225,730	178,340	210,661	83,826	189,237	-	1,138,876
Other benefits	981,481	450,312	1,287,224	1,016,986	1,201,291	478,017	1,079,126	-	6,494,437
	6,098,060	2,797,845	7,997,683	6,318,661	7,463,772	2,969,977	6,704,739	-	40,350,737
Consulting	1,747,448	1,057,235	4,242,582	3,664,259	2,148,784	627,090	1,373,018	26,228	14,886,644
Subrecipients	2,306,684	285,702	3,360,355	1,869,275	863,804	444,098	-	-	9,129,918
Seminars and training	2,793,802	243,358	1,406,620	907,061	695,489	19,837	165,641	86,836	6,318,644
Commodities	256,274	47,856	329,100	814,721	221,930	42	-	-	1,669,923
Field office expense	539,459	217,426	1,003,269	558,924	577,124	61,476	1,834	-	2,959,512
Travel	889,267	351,531	1,802,029	678,507	710,118	80,507	301,260	268	4,813,487
Equipment maintenance	301,084	108,832	568,943	152,359	109,853	85,639	353,731	-	1,680,441
Occupancy	195,487	89,691	256,383	202,559	239,268	95,209	214,935	-	1,293,532
Other office	45,133	301	2,780	1,367	135,866	329	598,664	18,913	803,353
Insurance	74,409	34,139	97,588	77,101	91,073	36,240	81,812	-	492,362
Telephone	80,746	18,573	277,745	21,737	39,314	506	69,934	-	508,555
Depreciation	44,477	20,406	58,332	46,086	54,438	21,662	48,902	-	294,303
Legal fees	88,353	26,381	84,146	97,337	77,206	33,628	63,814	-	470,865
Accounting fees	11,218	-	42,345	9,784	32,322	-	153,422	-	249,091
Supplies	50,673	18,834	95,114	21,510	51,848	147	71,965	-	310,091
Printing and production	36,917	5,098	7,000	19,777	8,355	-	57,533	2,091	136,771
Postage and delivery	2,770	750	9,503	529	4,423	-	8,454	-	26,429
	<b>\$ 15,562,261</b>	<b>\$ 5,323,958</b>	<b>\$ 21,641,517</b>	<b>\$ 15,461,554</b>	<b>\$ 13,524,987</b>	<b>\$ 4,476,387</b>	<b>\$ 10,269,658</b>	<b>\$ 134,336</b>	<b>\$ 86,394,658</b>

See notes to financial statements.

## International Foundation for Electoral Systems

### Statement of Functional Expenses Year Ended September 30, 2021

	Program Services						Supporting Services		Total
	Africa	Americas	Asia	Middle East and North Africa	Europe and Eurasia	Center for Applied Research	General and Administrative	Fundraising	
Compensation	\$ 4,732,049	\$ 1,049,367	\$ 5,788,739	\$ 4,165,431	\$ 4,422,690	\$ 1,663,095	\$ 4,686,202	\$ -	\$ 26,507,573
Payroll taxes	212,598	47,145	260,073	187,142	198,700	74,718	210,539	-	1,190,915
Retirement plan	162,198	35,969	198,418	142,776	151,594	57,005	160,627	-	908,587
Other benefits	921,663	204,385	1,127,475	811,302	861,409	323,922	912,733	-	5,162,889
	6,028,508	1,336,866	7,374,705	5,306,651	5,634,393	2,118,740	5,970,101	-	33,769,964
Consulting	2,066,433	1,244,592	3,708,419	3,195,486	2,436,665	252,195	1,300,768	3,358	14,207,916
Subrecipients	1,050,710	29,600	2,554,325	1,843,970	887,208	568,799	-	-	6,934,612
Seminars and training	4,031,632	40,681	467,152	1,757,604	528,190	1,841	21,827	-	6,848,927
Commodities	1,094,665	186,932	1,995,030	162,799	1,285,951	7,873	-	-	4,733,250
Field office expense	350,152	116,658	976,103	390,649	415,044	30,055	9,836	-	2,288,497
Travel	714,424	210,803	489,624	365,993	225,971	11,397	33,902	-	2,052,114
Equipment maintenance	462,045	33,755	354,133	197,539	133,163	139	213,391	-	1,394,165
Occupancy	221,600	49,142	271,085	195,066	207,113	77,882	219,453	-	1,241,341
Other office	1,798	1,445	54,606	184	76,448	95	497,770	1,767	634,113
Insurance	76,971	17,069	94,159	67,755	71,939	27,052	76,225	-	431,170
Telephone	123,351	12,342	125,441	11,519	36,831	6,706	78,056	-	394,246
Depreciation	55,005	12,198	67,288	48,419	51,409	19,332	59,738	-	313,389
Legal fees	32,903	4,362	60,904	90,773	30,845	5,388	20,478	1,760	247,413
Accounting fees	9,896	-	63,848	15,114	36,717	-	121,700	-	247,275
Supplies	37,632	15,972	35,194	24,028	19,238	56	26,274	-	158,394
Printing and production	10,311	5,674	15,544	31,580	23,219	-	26,636	-	112,964
Postage and delivery	2,353	279	2,651	280	7,102	-	7,220	-	19,885
	<u>\$ 16,370,389</u>	<u>\$ 3,318,370</u>	<u>\$ 18,710,211</u>	<u>\$ 13,705,409</u>	<u>\$ 12,107,446</u>	<u>\$ 3,127,550</u>	<u>\$ 8,683,375</u>	<u>\$ 6,885</u>	<u>\$ 76,029,635</u>

See notes to financial statements.



**International Foundation for Electoral Systems**

**Statements of Cash Flows**

**Years Ended September 30, 2022 and 2021**

	<b>2022</b>	2021
Cash flows from operating activities:		
Change in net assets	\$ 334,278	\$ 347,171
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	294,303	313,389
Changes in allowance for doubtful accounts	(61,001)	108,753
Deferred rent	(186,209)	(138,411)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(3,409,052)	(869,855)
Subrecipient advances	(235,026)	442,848
Prepaid expenses and other current assets	321,520	(185,184)
Increase (decrease) in:		
Accounts payable and accrued expenses	642,356	(931,167)
Accrued salaries, taxes and leave	351,048	781,231
Refundable advances	(3,941,143)	3,726,373
<b>Net cash (used in) provided by operating activities</b>	<b>(5,888,926)</b>	<b>3,595,148</b>
Cash flows from investing activities:		
Purchases of property and equipment	(321,466)	(92,034)
<b>Net cash used in investing activities</b>	<b>(321,466)</b>	<b>(92,034)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(6,210,392)</b>	<b>3,503,114</b>
Cash and cash equivalents:		
Beginning	20,712,234	17,209,120
Ending	<b>\$ 14,501,842</b>	<b>\$ 20,712,234</b>
Cash and cash equivalents—unrestricted	\$ 13,671,118	\$ 19,881,594
Cash and cash equivalents—restricted	830,724	830,640
	<b>\$ 14,501,842</b>	<b>\$ 20,712,234</b>

See notes to financial statements.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** International Foundation for Electoral Systems (IFES) was established in 1987 as a nonprofit corporation in the District of Columbia. IFES supports the building of democratic societies around the world and provides technical assistance in the areas of election administration, civil society development, good governance and the rule of law. IFES maintains field offices in many countries, including Asia Pacific, Africa, Americas, Europe and EurAsia and Middle East and North Africa (MENA), where its programs are operated.

In 2014, IFES established the Center for Applied Research (the Center) unit to solidify IFES's technical leadership in the democracy and governance field. The Center seeks to integrate learning throughout IFES, from development to delivery, to drive excellence and effectiveness in programming, promote staff development, and position IFES as a leader in democracy and governance assistance and innovation.

A summary of IFES's significant accounting policies follows:

**Basis of presentation:** The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the ASC, IFES is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets without donor restrictions are not subject to donor-imposed restrictions. IFES's net assets without donor restrictions are comprised of undesignated net assets, which represents funds available for general operations.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Foreign currency translation:** Monthly expenses incurred in foreign currency by project field sites worldwide are translated using the weighted average exchange rate for the reporting period where applicable.

**Cash equivalents:** IFES considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Cash equivalents include time deposits and highly liquid investments held in banks.

**Financial risk:** IFES maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. IFES has not experienced any losses in such accounts. IFES believes it is not exposed to any significant financial risk on cash and cash equivalents.

IFES had approximately \$1.2 million and \$1.1 million cash and cash equivalents held at financial institutions in foreign countries at September 30, 2022 and 2021.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Restricted cash and cash equivalents:** At September 30, 2022 and 2021, IFES has restricted balances of cash and cash equivalents required as collateral for a letter of credit required under IFES's home office lease (see Note 6).

**Grants receivables:** Grants receivables are generated from prime and subcontracting arrangements with federal governmental agencies and other various private and governmental entities. For grants that are recognized as unconditional promises to give, the receivable is recorded as support in the period during which the promise is made to IFES. For grants determined to be conditional awards or grants, recognition is made as conditions are met or revenue earned, as applicable. Billed amounts represent invoices that have been prepared and sent to the funder. Unbilled amounts represent recoverable costs incurred and where applicable, accrued fixed fees related to grants for which the funder has not been invoiced. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Management has recorded an allowance for contract receivables that are considered to be uncollectible.

Billed receivables are considered past due if the invoice has been outstanding more than 30 days. IFES does not charge interest on billing grant receivables; however, federal governmental agencies generally pay interest on invoices outstanding more than 30 days. IFES records interest income from federal governmental agencies when received.

**Subrecipient advances:** IFES issues subrecipient advances to various international organizations to provide services, such as security, surveys, training, etc. as defined by an approved statement of work and budget in connection with its performance of prime contracts, grants or cooperative agreements. A subrecipient advance is recorded if the total amount of expenses incurred to date is less than the amount paid to the subgrantee. Subrecipient expenses are recognized when the subrecipients provide the proper support for their activities.

**Property and equipment:** IFES capitalizes all property and equipment purchases of at least \$5,000. Property and equipment are stated at cost less accumulated depreciation and amortization and are being depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Leasehold improvements are amortized over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Prior to the completion of a federal award, IFES disposes of the software and equipment in coordination with the awardees and in accordance with the terms and conditions of the award. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the change in net assets for the respective period.

**Deferred rent:** IFES recognizes the minimum rents required under a lease agreement as a rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as liability for deferred rent in the statements of financial position.

**Revenue recognition:** IFES receives grants and cooperative agreements from federal and state agencies, international government agencies and organizations, as well as from private organizations. Such award instruments are to be used for specific programs.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### **Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

Most of the grant agreements are considered conditional contributions. Revenue and expenses are recognized in accordance with the authoritative guidance issued by the FASB whereby revenue is generally recognized as the related qualifying expenses are incurred and conditions met. Any excess of cash advances received over reimbursable expenditures is recorded as refundable advance. Revenue recognized under conditional contributions is recorded to net assets without donor restrictions if no donor restrictions remain at the time conditions are met.

Federal government grant costs, including indirect costs, are subject to audit and adjustment by applicable cognizant audit agencies. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

IFES's activities are primarily supported through awards from U.S. government agencies, international government agencies and organizations and private donors. A substantial amount of IFES's revenue is derived from federal awards provided by IFES's cognizant agency, the U.S. Agency for International Development (USAID). Revenue recognized from grants, cooperative agreements and contracts and support awarded by USAID approximated 60% and 66% of total revenues without donor restrictions for the years ended September 30, 2022 and 2021, respectively.

Unconditional contributions, including unconditional promises to give cash or other assets, are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by IFES.

IFES received conditional federal awards that have not been recognized as revenue at the respective statement of financial position date, as remaining related expenditures have not yet occurred. As of September 30, 2022, the amount of unrecognized conditional federal awards and non-federal awards amounted to \$79,036,197 and \$15,978,099, respectively.

**Commodities:** IFES procures goods and materials, such as training materials, equipment, ballot boxes, textbooks, etc., as required by the statement of work or mission of the project in connection with its performance of prime contracts, grants or cooperative agreements.

**Functional allocation of expenses:** The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Expenses that can be identified with a specific program or support service are charged directly, according to their natural expenditure classification. Compensation and related expenses are allocated based on level of efforts. Legal fees, consulting, depreciation, equipment maintenance, field office expense, occupancy, postage and delivery, printing and production, supplies, seminars and training, telephone and travel expenses are allocated based on compensation.

**Income taxes:** The Internal Revenue Service (IRS) has determined that IFES is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). IFES is not classified as a private foundation under Section 509(a)(1) of the IRC.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, IFES recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. IFES recognizes interest accrued and penalties related to unrecognized tax benefits, if any, as income tax expense. With few exceptions, IFES is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended before 2019.

Management has evaluated IFES's tax positions and has concluded that IFES has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

**Reclassifications:** Certain 2021 amounts previously reported have been reclassified to be consistent with the 2022 presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Adopted accounting pronouncement:** In July 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for contributed Nonfinancial Assets*. The ASU will improve transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholder' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. This ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. The adoption had no impact to its financial statements.

**Upcoming accounting pronouncement:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. IFES is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

**Subsequent events:** IFES has evaluated subsequent events through April 26, 2023, the date on which the financial statements were available to be issued.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 2. Grants and Contract Receivables

Grants and contract receivables consist of the following at September 30, 2022 and 2021:

	2022	2021
Unbilled receivables	\$ 8,391,727	\$ 5,151,623
Billed receivables	125,000	-
Donations receivable	2,250	-
Other receivables	47,081	5,383
	<u>8,566,058</u>	<u>5,157,006</u>
Less allowance for doubtful accounts	(50,000)	(111,001)
	<u>\$ 8,516,058</u>	<u>\$ 5,046,005</u>

Unbilled amounts represent recoverable costs incurred and where applicable, accrued fixed fees related to contracts and grants for which the funder has not been invoiced.

#### Note 3. Property and Equipment

Property and equipment consists of the following at September 30, 2022 and 2021:

	2022	2021
Leasehold improvements	\$ 3,303,466	\$ 3,303,466
Software	2,248,898	1,991,653
Furniture and equipment	136,151	71,930
	<u>5,688,515</u>	<u>5,367,049</u>
Less accumulated depreciation and amortization	(3,513,605)	(3,219,302)
	<u>\$ 2,174,910</u>	<u>\$ 2,147,747</u>

#### Note 4. Benefit Plans

**401(k) retirement plan:** IFES's employees are eligible immediately upon hire to participate in IFES's 401(k) retirement plan (the Plan) in which employees may make voluntary, tax-deferred contributions within specified limits. IFES matches employee contributions dollar for dollar up to a maximum of 6% of each eligible employee's annual salary. The Plan was established under the provisions of IRC Section 401(k) and has received a favorable determination as to its tax status from the IRS. IFES recorded contributions to the Plan of \$1,051,253 and \$847,096 for the years ended September 30, 2022 and 2021, respectively.

**TCN retirement savings plan:** IFES established a retirement savings plan (TCN plan) for third country nationals (TCNs) working outside the country, who are unable to participate in the IFES 401(k) Retirement Plan. TCNs are eligible to participate in the TCN plan one year after date of hire. Employees must have their own registered retirement or savings account through a financial institution or participate in a government-sponsored, employee-controlled retirement savings program in order to participate in the TCN plan. IFES matches employee contributions on a tenure based matching schedule in accordance with the requirements of the TCN plan and up to a maximum of 6% of each eligible employee's annual salary. IFES recorded contributions to the TCN plan of \$61,244 and \$61,490 for the years ended September 30, 2022 and 2021, respectively.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 5. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of contributions received from individual donors, mostly IFES Board members, or raised during the annual dinner to support specific initiatives such as fellowships, scholarships and innovations like gender equality and women's empowerment and disability programming (electionaccess.org).

#### Note 6. Commitments and Contingencies

**Leases:** IFES leases office space for its home office in Arlington, Virginia under the terms of a noncancellable operating lease which will end on October 31, 2030. Annual rent is \$1,660,932 for the first year, and is increased by 2.5% annually. In addition, the lease provided for a tenant allowance for leasehold improvements of \$3,147,030, which is reported under property and equipment and deferred rent on the statements of financial position and being amortized over the new lease term. In connection with the new lease, IFES provided the landlord with a letter of credit in the amount of \$830,466.

As of September 30, 2022, the following is a schedule by year of the future minimum lease payments required under the new operating office lease:

Years ending September 30:	
2023	\$ 1,994,987
2024	2,045,232
2025	2,096,748
2026	2,149,567
2027	2,203,722
2028-2031	7,148,266
	<u>\$ 17,638,522</u>

Rent expense related to noncancellable operating leases aggregated \$1,293,532 and \$1,241,341 for the years ended September 30, 2022 and 2021, respectively.

IFES also leases office space, corporate and group housing and furniture and equipment under cancellable and/or month-to-month operating leases that are directly reimbursable under various grants. Rent expense related to such cancellable operating leases within field office expenses aggregated \$1,422,254 and \$1,047,432 for the years ended September 30, 2022 and 2021, respectively.

As of September 30, 2022, the following is a schedule by year of the future minimum lease payments required under the operating foreign office leases:

Years ending September 30:	
2023	\$ 798,672
2024	68,458
	<u>\$ 867,130</u>

**Letter of credit:** At September 30, 2022 and 2021, IFES has an outstanding letter of credit of \$830,466 related to security deposit requirements for its noncancellable operating office lease. This letter of credit is fully secured by a restricted certificate of deposit and renews automatically until cancelled.

**Line of credit:** IFES obtained a revolving line of credit with the bank for \$650,000 in February 2019. Interest accrues at a variable rate of 2.2% above the Secured Overnight Financing Rate (SOFR) and is due monthly. The line is collateralized by the personal property of IFES. There were no advances on the line of credit at September 30, 2022.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 6. Commitments and Contingencies (Continued)

**Grants and contracts:** IFES's costs incurred under its government awards are generally subject to audit by government agencies. Management believes that the disallowance of costs, if any, would not be material to the financial position or changes in net assets of IFES.

**Litigation:** IFES has certain contingencies resulting from litigation and claims incidental to the ordinary course of business. Management believes that the ultimate disposition of these contingencies is not expected to materially affect IFES's financial condition, change in net assets or liquidity.

**CEPPS joint venture:** IFES is one of three members in a joint venture, CEPPS. CEPPS is a consortium of three organizations that is used as a vehicle to obtain federal funding from USAID. Funding is awarded under a leader agreement between USAID and CEPPS. CEPPS then allocates funding to its three members. Once funds are allocated, each member works directly with USAID and is responsible for performance under the contract. The joint venture agreement states that each CEPPS member shall be jointly and severally liable for any losses and liabilities resulting from the actions or inactions of CEPPS or any of the members. However, the agreement further provides that each member is responsible for its own activities and agrees to indemnify and hold harmless the other members from and against all claims and liabilities resulting from its actions or inactions with respect to CEPPS. Although USAID would hold CEPPS liable in the event of a loss or liability situation, CEPPS has discharged its rights and obligations to the individual members.

**COVID-19:** Subsequent to the coronavirus outbreak in 2020 in the United States, there has been substantial volatility in financial markets and the economy. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets. Management is continually monitoring the potential impact of the coronavirus pandemic on IFES.

#### Note 7. Liquidity

IFES regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments. As of September 30, 2022 and 2021, the following financial assets are available to meet annual operating needs for the next fiscal year:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	\$ 13,671,118	\$ 19,881,594
Grants and contract receivables	8,516,058	5,046,005
Subrecipient advances	816,966	581,940
Travel and other advances	-	85,306
Restricted cash and cash equivalents	830,724	830,640
Total financial assets	<u>23,834,866</u>	<u>26,425,485</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	411,591	430,687
Restricted cash and cash equivalents	830,724	830,640
	<u>1,242,315</u>	<u>1,261,327</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 22,592,551</u>	<u>\$ 25,164,158</u>





RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Directors  
International Foundation for Electoral Systems

We have audited the financial statements of International Foundation for Electoral Systems (IFES) as of and for the years ended September 30, 2022 and 2021, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

McLean, Virginia  
April 26, 2023

## International Foundation for Electoral Systems

### Schedule of Revenue of Non USG Awards Year Ended September 30, 2022

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditures
Bougainville Electoral Support Program	Australia / Abt Associates Department of Foreign Affairs, Trade and Development (DFATD)—Canada/Danish Government (DANIDA)/ Department of Foreign Affairs and Trade (DFAT)— Australia/Department for International Development (DFID)—UK/Swiss Federal Department for Foreign Affairs (SFDFA)	PGF-2016-0010	05640	12/01/16	01/31/22	\$ 1,539,573	\$ 1,955,568
Sustainable and Inclusive Approaches to Elections in Myanmar	Department for International Development (DFID)—UK	P-008930-001 / 73891 / 203454-101 / 81062619	05664	10/31/17	06/30/21	78,950	1,007,244
Engagement and Technical Assistance (ELECT)	Department for International Development (DFID)—UK	300476-101	05666	08/01/17	03/31/21	-	5,773
Citizens (DEPIC) in Bangladesh	Department for International Development (DFID)—UK	203487	05667	09/01/17	03/31/21	409,062	447,709
Support for Development of the ASEAN Master Plan on Disability	Department of Foreign Affairs and Trade (DFAT)— Australia	74245	05671	03/21/18	12/31/21	-	288,935
Indonesia Democratic Governance Reform	Department of Foreign Affairs and Trade (DFAT)— Australia	74291	05672	03/15/18	12/31/20	-	(3,024)
Kenya Electoral System Support	Department of Foreign Affairs Trade and Development (DFATD) -Canada	7060471	05560	04/07/14	12/31/21	-	13
She Leads—Women Leadership Program	Australia/Swiss Federal Department for Foreign Affairs (SFDFA)	75066 / 81058384	05682	01/01/19	12/31/22	307,784	1,183,495
Supporting Democratic Gains in Tunisia III	Swiss Federal Department for Foreign Affairs (SFDFA)	81066710	05692	11/01/20	05/30/24	149,965	364,780
tilaf Elections Technical Group	French Ministry of European and Foreign Affairs	209SYR0117	05693	11/03/20	10/31/21	-	20,591
Kenya Elections Support Programme	Foreign, Commonwealth and Development Office (FCDO)—UK	300657	05694	12/02/20	03/31/23	5,250,450	5,579,416
Strengthening Trust and Resilience in Democracy and Elections (STRIDE)	Department of Foreign Affairs and Trade (DFAT)— Australia	76576	05695	02/01/21	12/31/22	881,917	1,143,231
in Pakistan	Global Affairs Canada (GAC)	Order 7404861	05684	03/29/19	11/30/22	488,929	1,054,951
Strengthening Election Administration in Sri Lanka	Department of Foreign Affairs and Trade (DFAT) -Australia	75173	05685	03/28/19	12/31/21	-	16,914
Equality (EMERGE)	Global Affairs Canada (GAC)	Order 7404677	05686	03/29/19	03/29/24	515,317	1,400,190
Support to Electoral Reforms in North Macedonia—Main Phase	Swiss Agency for Development and Cooperation (SDC)	81060732	05699	08/09/19	06/30/23	616,524	1,158,639
Strengthening Advances in Governance and Elections (SAGE)	Department of Foreign Affairs and Trade (DFAT)—Australia	76032	05908	06/01/20	06/30/24	7,066,709	6,532,583
Strengthening Investigative Journalism on Abuse of State Resources	Microsoft		05704	01/01/22	12/31/22	49,500	30,420
Strengthening Resilience to Disinformation and Building Trust in Democracy and Elections (Indonesia)	Department of Foreign Affairs and Trade (DFAT)—Australia	47 065 634 525	05912	04/23/21	12/31/21	-	29,172
Strengthening Digital Media Literacy	Department of Foreign Affairs and Trade (DFAT)—Australia	76867	05913	05/31/21	04/30/22	-	252,717
Ukrain and Meaningful Engagement (UADEM)	Foreign, Commonwealth and Development Office (FCDO)—UK	300802-109	05914	06/01/21	03/31/22	1,130,251	1,036,508
Election Integrity Strategy	Facebook, Inc.	NB0527043-INB114477	05700	06/24/19	05/31/22	283,500	-
Inbound Data License & Services Agreement	Facebook, Inc.	INB0788144	05702	12/06/19	12/31/21	135,000	124,468

(Continued)

## International Foundation for Electoral Systems

### Schedule of Revenue of Non USG Awards (Continued) Year Ended September 30, 2022

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditure
Countering COVID-related Disinformation and Hate Speech in Southeast Asia	Department of Foreign Affairs and Trade (DFAT)—Australia	D20/594990	05907	05/22/20	05/30/21	\$ -	\$ 242
Assessment of Puntland voter registration and pilot elections	Adam Smith International	SSFMR-037-C01-01	05915	08/26/21	11/30/21	160,367	132,522
Election Integrity Strategy	Facebook	NB0527043-INB114477	05700	06/24/19	05/31/22	283,500	191,124
Support IFES in implementing its strategic plan Delivering Democracy for All	Swedish International Development Cooperation Agency (SIDA)	14402	05705	11/01/21	12/31/23	2,083,568	1,173,849
META Global Partnership 3	Meta	INB2622154	05706	05/15/22	06/30/23	315,000	82,311
FCDO Tunisia. Admin/OH	FCDO (formerly DFID)		05698	10/01/21	03/31/22	289,325	308,791
Technical assistance on electoral issues to benefice of the Etilaf's technical group on elections	French MFA - Syria	209SYR0130	05703	11/01/21	10/31/22	45,028	25,420
IFES Nepal Civic Education Program	META	INB2649841	05708	08/09/22	03/30/23	-	10,485
NEPAL- Strengthening Inclusive Election Processes in Nepal DFAT	Department of Foreign Affairs and Trade (DFAT) -Australia	77496	05916	04/01/22	09/30/23	1,454,688	404,025
Myanmar_Building Resilient Civic Leaders in Myanmar_DFAT	Department of Foreign Affairs and Trade (DFAT) -Australia	73891	05917	04/01/22	03/31/23	369,007	126,787
Fiji FEO Media and Leadership Training Program	Fijian Election Office		05918	04/01/22	07/20/22	65,000	29,837
DFAT SDMAL - Regional II	Department of Foreign Affairs and Trade (DFAT) -Australia		05920	06/06/22	10/31/23	379,051	123,973
RISE UKR Proj Activities	FCDO (formerly DFID)		05921	06/01/22	03/31/25	773,618	632,434
Sri Lanka DFAT SSG	Department of Foreign Affairs and Trade (DFAT) -Australia	AC48800/IFES/1	05923	06/10/22	04/30/23	102,900	46,289
Indonesia DFAT Disinfo	Department of Foreign Affairs and Trade (DFAT) -Australia		05922	06/10/22	06/30/23	68,601	8,842
Elect. Digital Readiness	Microsoft		05707	44788	45152	45,000	1,873
<b>Total Non USG Awards</b>						<u>\$ 25,338,084</u>	<u>26,929,097</u>
Final adjustments							<u>8,467</u>
							<u>\$ 26,937,564</u>