

International Foundation for Electoral Systems

Financial Report
September 30, 2024

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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, 2024 and 2023, 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, 2024 and 2023, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, IFES is dependent on federal funding and subsequent to year end IFES received termination notifications for federal grants and contracts. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 9. Our opinion is not modified with respect to this matter.

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 June 13, 2025, 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, 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
June 13, 2025

International Foundation for Electoral Systems

Statements of Financial Position
September 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 13,961,404	\$ 15,576,592
Grants receivable, net	7,472,247	4,628,220
Subrecipient advances	901,682	720,284
Prepaid expenses and other current assets	1,706,530	1,461,111
Restricted cash and cash equivalents	692,478	830,808
Property and equipment, net	1,873,008	2,274,505
Operating lease right-of-use assets, net	10,366,158	11,731,494
	<u>36,973,507</u>	<u>37,223,014</u>
Total assets	\$ 36,973,507	\$ 37,223,014
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,201,653	\$ 3,655,696
Accrued salaries, taxes and leave	4,515,978	4,036,495
Refundable advances	11,574,696	11,108,233
Operating lease liabilities, net	12,910,833	14,813,399
	<u>33,203,160</u>	<u>33,613,823</u>
Total liabilities	33,203,160	33,613,823
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions	3,354,501	3,181,868
With donor restrictions	415,846	427,323
	<u>3,770,347</u>	<u>3,609,191</u>
Total net assets	3,770,347	3,609,191
	<u>36,973,507</u>	<u>37,223,014</u>
Total liabilities and net assets	\$ 36,973,507	\$ 37,223,014

See notes to financial statements.

International Foundation for Electoral Systems

Statements of Activities

Years Ended September 30, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions:		
Support and revenues:		
Federal grants and co-op agreements	\$ 60,776,652	\$ 58,684,285
Non-federal awards and private grants	16,165,771	18,906,662
Contributions	421,374	165,796
Other	139,224	139,232
Net assets released from restrictions	11,477	52,334
Total support and revenues	77,514,498	77,948,309
Expenses:		
Program services:		
Africa	13,208,459	13,181,049
Americas	4,571,971	5,621,662
Asia	19,700,281	20,140,431
Middle East and North Africa	9,093,856	8,729,674
Europe and Eurasia	16,834,071	15,032,730
Center for Applied Research	4,877,596	6,160,318
Supporting services:		
General and administrative	8,920,925	10,328,481
Fundraising	134,706	16,265
Total expenses	77,341,865	79,210,610
Change in net assets without donor restrictions	172,633	(1,262,301)
Changes in net assets with donor restrictions:		
Contributions	-	68,066
Net assets released from restrictions	(11,477)	(52,334)
Change in net assets with donor restrictions	(11,477)	15,732
Change in net assets	161,156	(1,246,569)
Net assets:		
Beginning	3,609,191	4,855,760
Ending	\$ 3,770,347	\$ 3,609,191

See notes to financial statements.

International Foundation for Electoral Systems

Statement of Functional Expenses

Year Ended September 30, 2024

	Program Services					Supporting Services			Total
	Africa	America	Asia-Pacific	MENA	Europe and Eurasia	Center for Applied Research	General and Administrative	Fundraising	
Compensation	\$ 5,433,531	\$ 1,623,366	\$ 6,324,382	\$ 2,747,879	\$ 6,848,365	\$ 2,900,234	\$ 4,945,570	\$ -	\$ 30,823,327
Retirement plan	212,716	63,553	247,591	107,576	268,105	113,540	193,613	-	1,206,694
Other benefits	1,143,945	341,774	1,331,499	578,523	1,441,816	610,599	1,041,212	-	6,489,368
Payroll taxes	254,043	75,900	295,695	128,476	320,194	135,600	231,229	-	1,441,137
	<u>7,044,235</u>	<u>2,104,593</u>	<u>8,199,167</u>	<u>3,562,454</u>	<u>8,878,480</u>	<u>3,759,973</u>	<u>6,411,624</u>	-	<u>39,960,526</u>
Accounting fees	15,737	-	23,405	37,248	48,625	-	120,000	-	245,015
Legal fees	94,551	16,698	80,319	61,672	82,034	31,199	46,541	-	413,014
Supplies	55,209	9,874	86,672	15,606	56,883	789	15,388	-	240,421
Telephone	64,246	9,853	113,954	8,571	38,486	409	39,781	-	275,300
Postage/delivery	1,793	2,243	5,229	732	7,644	-	1,410	-	19,051
Occupancy	240,467	71,844	279,893	121,611	303,082	128,353	218,872	-	1,364,122
Equipment	147,614	54,651	346,678	126,727	298,614	2,199	191,663	-	1,168,146
Printing/production	88,298	40,841	37,324	1,606	29,499	98	27,715	9,467	234,848
Travel	760,659	157,924	1,660,918	330,612	649,962	205,182	373,237	9,831	4,148,325
Seminars/training	1,399,714	83,409	1,380,233	688,593	1,462,257	31,878	62,112	101,866	5,210,062
Depreciation	71,030	21,222	82,676	35,922	89,526	37,914	64,651	-	402,941
Consulting	1,093,058	1,033,380	2,771,941	1,991,411	2,487,800	351,555	556,326	2,113	10,287,584
Field office expense	551,149	161,071	937,129	327,063	682,767	182,426	1,097	-	2,842,702
Other office	35,260	-	358	16,498	82,850	-	718,143	11,429	864,538
Insurance	74,963	22,397	87,253	37,911	94,482	40,013	72,365	-	429,384
Commodities	927,568	448,511	150,963	344,530	628,708	-	-	-	2,500,280
Subrecipients	542,908	333,460	3,456,169	1,385,089	912,372	105,608	-	-	6,735,606
	<u>\$ 13,208,459</u>	<u>\$ 4,571,971</u>	<u>\$ 19,700,281</u>	<u>\$ 9,093,856</u>	<u>\$ 16,834,071</u>	<u>\$ 4,877,596</u>	<u>\$ 8,920,925</u>	<u>\$ 134,706</u>	<u>\$ 77,341,865</u>

See notes to financial statements.

International Foundation for Electoral Systems

Statement of Functional Expenses Year Ended September 30, 2023

	Program Services					Supporting Services			Total
	Africa	America	Asia-Pacific	MENA	Europe and Eurasia	Center for Applied Research	General and Administrative	Fundraising	
Compensation	\$ 4,706,390	\$ 2,074,222	\$ 6,338,723	\$ 3,572,590	\$ 6,963,742	\$ 2,912,872	\$ 5,511,831	\$ -	\$ 32,080,370
Retirement plan	187,856	82,793	253,011	142,600	277,959	116,268	220,006	-	1,280,493
Other benefits	971,436	428,136	1,308,362	737,410	1,437,371	601,240	1,137,685	-	6,621,640
Payroll taxes	225,064	99,191	303,123	170,844	333,012	139,296	263,581	-	1,534,111
	<u>6,090,746</u>	<u>2,684,342</u>	<u>8,203,219</u>	<u>4,623,444</u>	<u>9,012,084</u>	<u>3,769,676</u>	<u>7,133,103</u>	<u>-</u>	<u>41,516,614</u>
Accounting fees	15,350	-	51,345	23,811	41,909	-	127,082	-	259,497
Legal fees	62,350	22,741	68,792	70,857	72,141	20,893	39,668	-	357,442
Supplies	46,975	11,168	78,079	13,007	65,022	290	31,499	-	246,040
Telephone	42,763	12,501	165,233	15,572	49,928	4,905	56,039	-	346,941
Postage/delivery	1,200	1,000	11,776	859	7,117	117	7,846	-	29,915
Occupancy	175,050	77,149	235,764	132,879	259,011	108,342	201,222	-	1,189,417
Equipment	108,018	65,808	289,199	21,188	135,383	9,872	210,218	-	839,686
Printing/production	22,501	11,643	27,434	22,539	29,833	38	6,555	-	120,543
Travel	860,092	336,751	1,463,976	233,474	600,320	208,553	276,042	1,125	3,980,333
Seminars/training	2,457,008	280,352	1,164,861	311,564	1,119,957	38,325	76,947	15,000	5,464,014
Depreciation	56,166	24,754	75,646	42,635	83,105	34,762	65,778	-	382,846
Consulting	1,599,882	1,078,022	2,710,495	1,521,438	2,003,072	1,016,154	1,333,776	-	11,262,839
Field office expense	431,641	174,699	1,134,260	292,530	614,532	126,967	14,350	-	2,788,979
Other office	97,201	3,131	14,475	67,775	125,117	1,307	655,208	140	964,354
Insurance	79,536	35,054	107,122	60,375	117,685	49,226	93,148	-	542,146
Commodities	126,362	173,873	224,932	402,706	29,899	38	-	-	957,810
Subrecipients	908,208	628,674	4,113,823	873,021	666,615	770,853	-	-	7,961,194
	<u>\$ 13,181,049</u>	<u>\$ 5,621,662</u>	<u>\$ 20,140,431</u>	<u>\$ 8,729,674</u>	<u>\$ 15,032,730</u>	<u>\$ 6,160,318</u>	<u>\$ 10,328,481</u>	<u>\$ 16,265</u>	<u>\$ 79,210,610</u>

See notes to financial statements.

International Foundation for Electoral Systems

Statements of Cash Flows Years Ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 161,156	\$ (1,246,569)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	402,941	382,846
Changes in allowance for doubtful accounts	(1,943)	(500)
Amortization of right-of-use assets	1,365,336	1,513,501
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(2,842,084)	3,888,338
Subrecipient advances	(181,398)	96,682
Prepaid expenses and other current assets	(245,419)	(398,398)
Increase (decrease) in:		
Accounts payable and accrued expenses	545,957	(2,025,203)
Accrued salaries, taxes and leave	479,483	354,297
Refundable advances	466,463	1,668,288
Lease liabilities	(1,902,566)	(1,845,283)
Net cash (used in) provided by operating activities	(1,752,074)	2,387,999
Cash flows from investing activities:		
Purchases of property and equipment	(1,444)	(482,441)
Net cash used in investing activities	(1,444)	(482,441)
Net (decrease) increase in cash and cash equivalents	(1,753,518)	1,905,558
Cash and cash equivalents:		
Beginning	16,407,400	14,501,842
Ending	\$ 14,653,882	\$ 16,407,400
Cash and cash equivalents—unrestricted	\$ 13,961,404	\$ 15,576,592
Cash and cash equivalents—restricted	692,478	830,808
	\$ 14,653,882	\$ 16,407,400
Supplemental disclosures of cash flow information:		
Addition to right-of-use asset for operating leases	\$ 236,211	\$ 13,244,994
Addition to lease liabilities for operating leases	\$ 222,687	\$ 16,658,681

See notes to financial statements.

International Foundation for Electoral Systems

Notes to Financial Statements

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, 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 composed of undesignated net assets, which represents funds available for general operations.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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: The functional currency of IFES is the U.S. dollar. The financial statements and transactions of IFES' foreign operations are generally maintained in the relevant currency. Where local currencies are used, assets and liabilities are translated into U.S. dollars at the statement of financial position date at the exchange rate in effect at year-end.

Foreign currency transactions: Monthly expenses incurred in foreign currency by project field sites worldwide are translated into U.S. dollars using the weighted average exchange rate for the reporting period where applicable. Gains and losses resulting from these translations are recognized as a program activity in the statement of activities and are allowable as a direct cost per federal regulations.

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.

International Foundation for Electoral Systems

Notes to Financial Statements

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

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 \$1.5 million and \$1.2 million cash and cash equivalents held at financial institutions in foreign countries at September 30, 2024 and 2023, respectively.

Restricted cash and cash equivalents: At September 30, 2024 and 2023, 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 receivable: Grants receivable 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 donor receivables and considering a donor's financial condition, credit history and current economic conditions. Management has recorded an allowance for 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 conditional 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 is stated at cost less accumulated depreciation and amortization and is 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.

International Foundation for Electoral Systems

Notes to Financial Statements

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

Leases: IFES determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. IFES also considers whether its service arrangements include the right to control the use of an asset.

IFES made an accounting policy election available under Topic 842 to not recognize right-of-use (ROU) assets and lease liabilities for short-term leases (leases with a term of 12 months or less). For all other leases, the initial measurement is based on the present value of future lease payments over the remaining lease term as of the commencement date (or October 1, 2022 for existing leases upon the adoption of Topic 842). Lease payments may include future escalations based on an index or other rate (such as the consumer price index), which IFES initially measures using the index or rate at lease commencement. Subsequent changes or other periodic market-rate adjustments to base rent are recorded as variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease liability only when it is probable they will be incurred. To determine the present value of lease payments, IFES has made an accounting policy election available to non-public companies to use a risk-free rate, which is aligned with the lease term at the lease commencement date (or the remaining term for leases existing upon the adoption of Topic 842). The ROU assets are also adjusted for any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by lease incentives.

IFES has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all asset classes. The non-lease components represent additional services transferred to the Society, which are typically variable in nature and recorded in variable lease expense in the period incurred.

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.

Most of the grant agreements are considered conditional contributions due to inclusion of barriers and rights of returns. 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 67% and 60% of total revenues without donor restrictions for the years ended September 30, 2024 and 2023, respectively.

International Foundation for Electoral Systems

Notes to Financial Statements

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

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, 2024, the amount of unrecognized conditional federal awards and nonfederal awards amounted to \$115,717,303 and \$53,582,736, respectively prior to the federal funding terminations as detailed in Note 9. As of May 31, 2025 the amount of unrecognized conditional federal awards and nonfederal awards amounted to \$3,546,473 and \$12,377,825, 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.

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 derecognition, 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.

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.

Subsequent events: IFES has evaluated subsequent events through June 13, 2025, the date on which the financial statements were available to be issued.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 2. Grants and Contract Receivables

Grants and contract receivables consist of the following at September 30, 2024 and 2023:

	2024	2023
Unbilled receivables	\$ 7,171,871	\$ 4,651,907
Billed receivables	347,933	1,770
Other receivables	-	24,043
	<u>7,519,804</u>	<u>4,677,720</u>
Less allowance for doubtful accounts	(47,557)	(49,500)
	<u>\$ 7,472,247</u>	<u>\$ 4,628,220</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, 2024 and 2023:

	2024	2023
Leasehold improvements	\$ 3,556,377	\$ 3,556,377
Software	2,292,397	2,290,954
Furniture and equipment	323,624	323,624
	<u>6,172,398</u>	<u>6,170,955</u>
Less accumulated depreciation and amortization	(4,299,390)	(3,896,450)
	<u>\$ 1,873,008</u>	<u>\$ 2,274,505</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 termination as to its tax status from the IRS. IFES recorded contributions to the Plan of \$1,088,276 and \$1,160,427 for the years ended September 30, 2024 and 2023, 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 6% of each eligible employee's annual salary. IFES recorded contributions to the TCN plan of \$69,577 and \$69,079 for the years ended September 30, 2024 and 2023, respectively.

International Foundation for Electoral Systems

Notes to Financial Statements

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. Operating Leases

IFES leases real estate, including other locations, under operating lease agreements that have initial terms ranging from April 1, 2015 to October 31, 2030. Some leases include one or more options to renew, generally at the IFES's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either IFES, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that IFES will exercise that option. IFES's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The lease includes an incentive for leasehold improvements of \$3,147,030, which is included in property and equipment and amortized over the term of the lease.

Supplemental cash flow information related to leases is as follows for the years ended September 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 2,169,833	\$ 2,138,908

Supplemental statements of financial position information related to leases is as follows as of September 30, 2024 and 2023:

	2024	2023
Operating leases:		
Right-of-use operating lease assets	\$ 10,366,158	\$ 11,731,494
Operating lease liabilities, net	\$ 12,910,833	\$ 14,813,399
Weighted-average remaining lease term (years):		
Operating leases	15.49	19.18
Weighted-average discount rate:		
Operating leases	3.70%	3.70%

International Foundation for Electoral Systems

Notes to Financial Statements

Note 6. Operating Leases (Continued)

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the statements of financial position as of September 30, 2024, is as follows:

Years ending September 30:	
2025	\$ 2,619,857
2026	2,355,369
2027	2,279,990
2028	2,265,412
2029	2,316,180
Thereafter	<u>2,572,838</u>
Total minimum payments required	14,409,646
Less amounts representing interest	<u>(1,498,813)</u>
Present value of minimum lease payments	<u>\$ 12,910,833</u>

Note 7. Commitments and Contingencies

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.

Consortium for Elections and Political Process Strengthening (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.

Letter of credit: At September 30, 2024 and 2023, IFES has an outstanding letter of credit of \$830,466 related to security deposit requirements for its noncancelable operating office lease. This letter of credit is fully secured by a restricted certificate of deposit and renews automatically until canceled.

Line of credit: IFES obtained a revolving line of credit with the bank for \$2,500,000 in February 2024. Interest accrues at a variable rate of 0.11% above the Secured Overnight Financing Rate but not less than 0.75% 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, 2024.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 8. Liquidity

IFES regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments. As of September 30, 2024 and 2023, the following financial assets are available to meet annual operating needs for the next fiscal year:

	2024	2023
Financial assets at year-end:		
Cash and cash equivalents	\$ 13,961,404	\$ 15,576,592
Grants and contract receivables	7,472,247	4,628,220
Subrecipient advances	901,682	720,284
Restricted cash and cash equivalents	692,478	830,808
Total financial assets	<u>23,027,811</u>	<u>21,755,904</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	415,846	427,323
Restricted cash and cash equivalents	692,478	830,808
Refundable advance	11,574,696	11,108,233
	<u>12,683,020</u>	<u>12,366,364</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 10,344,791</u>	<u>\$ 9,389,540</u>

Note 9. Economic Dependency

Approximately, 78% of IFES' total revenue for the year ended September 30, 2024, were derived from grants awarded directly and indirectly by USAID and the US Department of the State. In January 2025, the new United States presidential administration signed executive orders (EO) that significantly impacted IFES' current and future federal funding. The Administration tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the EOs. During the year ended September 30, 2024, IFES recognized federal grants and contracts totaling \$60,776,652, of which \$59,219,992 were terminated subsequent to year end in February and March 2025.

IFES' financial response to the USAID strategy shift (management plan) alleviates the substantial doubt about IFES' ability to continue as a going concern. IFES has developed a multi-faceted mitigation plan. As of May 31, 2025, IFES has aligned staffing levels with operational needs through strategic workforce reductions and reduced occupancy costs by renegotiating facility-related expenses, which optimized its physical footprint. In addition, IFES is implementing enhanced cash management practices aimed at preserving liquidity while also identifying and executing further cost-saving initiatives across its operations. The organization is actively working to diversify its funding sources and broaden its donor base beyond the U.S. Government. Finally, IFES is undertaking a strategic transformation of its structure and programmatic offerings to better respond to evolving demands and ensure long-term sustainability.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 10. Subsequent Events

IFES is obligated under operating leases for its headquarters space and office equipment located at its headquarters. The headquarters lease was set to expire in 2030. On March 31, 2025, IFES executed an amendment to the existing agreement with the landlord. This amendment reduced the leased premises to approximately 15,000 square feet, without extending the lease term. Additionally, IFES has terminated its field office leases in Kenya, Nigeria, Burkina Faso and Côte d'Ivoire.

Subsequent to year-end, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration has tasked federal departments with evaluating all federal programs they administer to determine if the funding being provided falls under any of the EOs. During the year ended September 30, 2024, IFES recognized federal grants and contracts totaling \$60,776,652, of which \$59,219,992 were terminated on February 26, 2025, and at September 30, 2024, had outstanding federal receivables of \$151,496.

Management is continually evaluating the impact of all executive orders and does not believe these events and conditions result in any substantial doubt about IFES's ability to continue as a going concern, IFES is well-positioned to continue its operations.

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 as of and for the years ended September 30, 2024 and 2023, and have issued our report thereon, dated June 13, 2025, 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
June 13, 2025

International Foundation for Electoral Systems

Schedule of Revenue of Non-U.S. Government Awards Year Ended September 30, 2024

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditures
She Leads - Women Leadership Program	Department of Foreign Affairs and Trade (DFAT) -Australia / Swiss Federal Department for Foreign Affairs (SFDFA)	75066 / 81058384	5682	01/01/19	07/31/24	\$ 339,813	\$ 527,378
Participation of Women in Elections and Registration (POWER) Gender Equality (EMERGE)	Global Affairs Canada (GAC)	P-006444 Purchase Order 7404677	5686	03/29/19	03/29/24	548,343	391,928
Supporting Democratic Gains in Tunisia III	Swiss Federal Department for Foreign Affairs (SFDFA)	81066710	5692	11/01/20	07/31/24	-	722,167
Support to Electoral Reforms in North Macedonia - Main Phase	Swiss Agency for Development and Cooperation (SDC)	81060732	5699	08/09/19	06/30/23	-	474,719
Inbound Data License & Services Agreement	Facebook, Inc.	INB0788144	5702	11/12/19	12/31/24	146,250	161,048
Support IFES in implementing its strategic plan - Delivering Democracy for All	Swedish International Development Cooperation Agency (SIDA)	14402	5705	10/16/21	12/31/24	1,020,659	735,394
META Global Partnership 3	Meta	INB2622154	5706	05/15/22	09/30/23	-	340
Elect. Digital Readiness	Microsoft		5707	08/15/22	09/30/25	90,000	121,525
Google Elec. Guide	Google		5709	10/13/22	10/12/24	90,000	96,312
Global Google Award	0		5710	11/28/22	12/31/24	450,000	433,343
State Threats Palladium	FCDO (formerly DFID)		5711	10/31/22	03/31/24	82,890	71,480
USIP OPD	US Institute for Peace		5713	01/30/23	11/30/24	22,000	16,344
META Global Donation	META	INB2707137	5714	12/22/22	09/20/24	-	267,905
Strengthening Advances in Governance and Elections (SAGE)	Department of Foreign Affairs and Trade (DFAT) -Australia	76032	5908	06/01/20	04/30/25	4,404,911	2,550,215
NEPAL- Strengthening Inclusive Election Processes in Nepal DFAT	Department of Foreign Affairs and Trade (DFAT) -Australia	77496	5916	04/01/22	09/30/23	-	330
Myanmar_Building Resilient Civic Leaders in Myanmar_DFAT	Department of Foreign Affairs and Trade (DFAT) -Australia	73891	5917	04/01/22	09/30/23	-	(417)
DFAT SDMAL - Regional II	Department of Foreign Affairs and Trade (DFAT) -Australia		5920	06/06/22	10/31/23	-	73,944
RISE UKR Proj Activities	FCDO (formerly DFID)		5921	06/01/22	03/31/25	2,757,754	2,748,734
Indonesia DFAT Disinfo	Department of Foreign Affairs and Trade (DFAT) -Australia		5922	06/10/22	10/31/23	9,827	-
Sri Lanka DFAT SSG	Department of Foreign Affairs and Trade (DFAT) -Australia	AC48800/IFES/1	5923	06/01/22	06/30/24	248,887	347,750
DFAT PNG ADIB	DFAT_Australia		5924	01/01/22	03/31/25	1,400,847	1,223,475
DFAT INDONESIA STRIDE II	DFATD		5925	01/01/23	06/30/25	547,573	665,058
OSIWA-MEDIA INCL - MALI	OSI WI		5926	02/01/23	05/30/24	-	56,596
FCDO Montenegro	FCDO (formerly DFID)		5927	03/17/23	03/31/25	473,527	554,893
DFAT ASEAN MTR	DFATD	78361	5928	06/01/23	05/31/24	-	127,107

(Continued)

International Foundation for Electoral Systems

**Schedule of Revenue of Non-U.S. Government Awards (Continued)
Year Ended September 30, 2024**

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditures
SSDA FCDO	FCDO (formerly DFID)	301454-405	5929	06/23/23	03/31/25	\$ 574,641	\$ 614,424
FCDO Tunisia	FCDO (formerly DFID)	PUR1051558	5930	08/01/23	03/31/24	297,783	291,335
RPA Resilient Election In	Rockefeller Philanthropy Advisors		5931	07/17/23	07/17/26	-	203,216
DFAT Myanmar PCGLM	DFATD	78506	5932	08/14/23	01/30/26	1,284,944	759,283
DFAT SI Elect Integrity	DFAT (formerly AusAID)	78598	5933	10/12/23	02/29/24	62,639	62,306
Georgia FCDO	FCDO (formerly DFID)	301454-410	5934	10/30/23	03/31/25	219,328	267,752
DFAT Indonesia AICHR	DFATD - Canada	78665	5935	11/15/23	01/31/24	99,126	21,781
DFAT Indonesia AHRC AICHR	DFATD - Canada		5936	11/01/23	12/31/23	117,153	116,930
FCDO MIPS Bangladesh	FCDO (formerly DFID)		5937	11/15/23	03/31/26	224,362	186,991
Electoral Supp NM Phase 2	Swiss Development Corps	81079617	5938	01/01/24	12/31/27	788,000	795,405
DFAT Sri Lanka SG	DFAT (formerly AusAID)	ACN091591294SLSU IFES 02	5940	05/01/24	04/30/26	335,169	80,979
North Macedonia FCDO	FCDO (formerly DFID)		5939	04/09/24	03/31/25	136,729	164,769
Tunisia ECPL Dutch Emba.	Dutch Embassy		5941	08/01/24	03/31/25	-	36,896
FCDO DRC BIRD	FCDO (formerly DFID)		5942	09/01/24	03/31/25	1,009,369	82,948
Total Non USG Awards						<u>\$ 17,782,524</u>	16,052,583
Final adjustments							<u>113,188</u>
							<u>\$ 16,165,771</u>