

# **International Foundation for Electoral Systems**

Financial Report  
September 30, 2016

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## Independent Auditor's Report

To the Board of Directors  
International Foundation for Electoral Systems  
Washington, D.C.

### Report on Financial Statements

We have audited the accompanying financial statements of International Foundation for Electoral Systems (IFES), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility 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; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IFES as of September 30, 2016 and 2015, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 28, 2017, and June 30, 2016, 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 these reports is 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 internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IFES's internal control over financial reporting and compliance.

*RSM US LLP*

McLean, Virginia  
June 28, 2017

International Foundation for Electoral Systems

Statements of Financial Position  
September 30, 2016 and 2015

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 7,466,915	\$ 18,190,236
Grants and contracts receivable, net	4,914,977	3,926,967
Subrecipient advances	660,734	104,990
Prepaid expenses and other current assets	747,080	1,420,098
Travel and other advances	221,332	215,417
Restricted cash and cash equivalents	1,985,550	989,691
Property and equipment, net	3,170,786	82,776
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 19,167,374</b>	<b>\$ 24,930,175</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,972,940	\$ 2,827,590
Accrued salaries, taxes and leave	1,764,960	2,828,162
Deferred revenue	7,280,382	12,869,685
Deferred rent	3,841,197	1,391,682
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>14,859,479</b>	<b>19,917,119</b>
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies (Notes 4 and 7)		
Net assets:		
Unrestricted	3,900,147	4,645,308
Temporarily restricted	407,748	367,748
	<hr/>	<hr/>
<b>Total net assets</b>	<b>4,307,895</b>	<b>5,013,056</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total liabilities and net assets</b>	<b>\$ 19,167,374</b>	<b>\$ 24,930,175</b>
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See notes to financial statements.

**International Foundation for Electoral Systems**

**Statements of Activities**

**Years Ended September 30, 2016 and 2015**

	2016	2015
Changes in unrestricted net assets:		
Support and revenues:		
Federal grants and co-op agreements	\$ 41,530,213	\$ 50,815,915
Federal contracts, non-federal awards and private grants	14,877,426	20,934,743
Donated services	121,925	100,918
Investment income	22,449	98,203
Contributions	175,710	282,354
Gain on lease transactions, net	830,198	-
Net assets released from restrictions	22,514	11,750
<b>Total unrestricted support and revenues</b>	<b>57,580,435</b>	<b>72,243,883</b>
Expenses:		
Direct costs:		
Salaries and direct allowances	16,362,938	17,972,927
Consultants and professional services	5,539,682	5,791,864
Subrecipient expenses	5,196,598	11,307,143
Travel and per diem	4,384,683	4,473,077
Other direct expenses	3,749,290	5,640,428
Commodities	3,464,224	5,904,079
Field office expenses	1,830,050	2,684,621
Furniture and equipment	388,962	369,308
Indirect expenses	17,409,169	18,872,903
<b>Total expenses</b>	<b>58,325,596</b>	<b>73,016,350</b>
<b>Decrease in unrestricted net assets</b>	<b>(745,161)</b>	<b>(772,467)</b>
Changes in temporarily restricted net assets:		
Contributions	62,514	11,750
Net assets released from restrictions	(22,514)	(11,750)
<b>Increase in temporarily restricted net assets</b>	<b>40,000</b>	<b>-</b>
<b>Decrease in net assets</b>	<b>(705,161)</b>	<b>(772,467)</b>
Net assets:		
Beginning of year	5,013,056	5,785,523
End of year	<b>\$ 4,307,895</b>	<b>\$ 5,013,056</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statements of Cash Flows**

**Years Ended September 30, 2016 and 2015**

	2016	2015
Cash flows from operating activities:		
Decrease in net assets	\$ (705,161)	\$ (772,467)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	235,055	17,771
Changes in allowance for doubtful accounts	(105,795)	273,836
Change in deferred rent	(1,314,248)	(156,187)
Loss on landlord lease assumption	616,733	-
Changes in operating assets and liabilities:		
Deposits into restricted cash accounts	(995,859)	(834,769)
Grants and contract receivables	(882,215)	1,248,143
Subrecipient advances	(555,744)	695,519
Prepaid expenses and other current assets	673,018	(421,891)
Travel advances	(5,915)	35,354
Accounts payable and accrued expenses	(854,650)	389,239
Accrued salaries, taxes and leave	(1,063,202)	272,557
Deferred revenue	(5,589,303)	(4,344,422)
<b>Total adjustments</b>	<b>(9,842,125)</b>	<b>(2,824,850)</b>
<b>Net cash used in operating activities</b>	<b>(10,547,286)</b>	<b>(3,597,317)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(176,035)	(45,823)
<b>Net cash used in investing activities</b>	<b>(176,035)</b>	<b>(45,823)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,723,321)</b>	<b>(3,643,140)</b>
Cash and cash equivalents:		
Beginning of year	18,190,236	21,833,376
End of year	<b>\$ 7,466,915</b>	<b>\$ 18,190,236</b>
Supplemental cash flow information:		
Cash paid for interest	\$ 13,572	\$ 9,441
Supplemental schedule of noncash financing and investment activities:		
Acquisition of property and equipment through tenant allowance	<b>\$ 3,147,030</b>	<b>\$ -</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statement of Functional Expenses**

**Year Ended September 30, 2016**

**(With Comparative Totals for the Year Ended September 30, 2015)**

	Program Services	Management and General	Fundraising	Total for the Year Ended September 30, 2016
Compensation	\$ 16,362,938	\$ 4,983,284	\$ 29,693	\$ 21,375,915
Consulting	5,539,682	410,716	11,783	5,962,181
Subrecipient pass-through awards	5,196,598	-	-	5,196,598
Travel	4,384,683	318,823	24,716	4,728,222
Other benefits	2,877,970	1,459,927	-	4,337,897
Seminars/training	3,558,234	145,665	72,572	3,776,471
Commodities	3,464,224	-	-	3,464,224
Field office expenses	1,830,050	(12,221)	-	1,817,829
Occupancy	-	1,721,136	-	1,721,136
Other office	191,056	1,343,031	15,030	1,549,117
Payroll taxes	503,685	255,508	-	759,193
Retirement plan	492,136	249,649	-	741,785
Legal fees	41,669	594,159	872	636,700
Equipment	388,962	170,293	-	559,255
Telephone	254,696	175,988	-	430,684
Bad debt	-	300,000	-	300,000
Supplies	199,074	62,809	279	262,162
Depreciation and amortization	-	235,055	-	235,055
Accounting fees	32,585	168,557	-	201,142
Printing and reproduction	60,870	77,558	2,346	140,774
Postage and delivery	111,712	17,319	225	129,256
<b>Total for the year ended September 30, 2016</b>	<b>\$ 45,490,824</b>	<b>\$ 12,677,256</b>	<b>\$ 157,516</b>	<b>\$ 58,325,596</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statement of Functional Expenses  
Year Ended September 30, 2015**

	Program Services	Management and General	Fundraising	Total for the Year Ended September 30, 2015
Compensation	\$ 17,939,712	\$ 4,877,839	\$ 51,757	\$ 22,869,308
Subrecipient pass-through awards	11,307,142	-	-	11,307,142
Consulting	5,791,851	610,182	57,801	6,459,834
Seminars/training	3,854,391	1,941,254	152,525	5,948,170
Commodities	5,904,081	-	-	5,904,081
Travel	4,473,075	725,766	12,634	5,211,475
Other benefits	3,863,108	1,050,386	11,145	4,924,639
Field office expenses	2,684,657	12,221	-	2,696,878
Occupancy	1,445,171	722,585	-	2,167,756
Other office	302,425	1,411,814	7,779	1,722,018
Payroll taxes	586,703	293,351	-	880,054
Retirement plan	417,524	208,762	-	626,286
Legal fees	367,387	183,693	2,268	553,348
Equipment	369,305	145,361	-	514,666
Telephone	314,317	157,158	-	471,475
Supplies	195,758	97,879	1,591	295,228
Printing and reproduction	113,493	56,746	4,011	174,250
Accounting fees	99,470	49,735	-	149,205
Postage and delivery	81,800	40,900	66	122,766
Depreciation and amortization	11,847	5,924	-	17,771
<b>Total for the year ended September 30, 2015</b>	<b>\$ 60,123,217</b>	<b>\$ 12,591,556</b>	<b>\$ 301,577</b>	<b>\$ 73,016,350</b>

See notes to financial statements.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Nature of organization:** 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 where its programs are operated.

A summary of IFES significant accounting policies follows:

**Basis of accounting:** The financial statements of IFES have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**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. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results may differ from estimates under different assumptions or conditions.

**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.

**Revenue recognition:** Revenue is recognized when persuasive evidence of an arrangement exists, services have been rendered or goods delivered, the contract price is fixed or determinable and collectability is reasonably assured. Revenue associated with work performed prior to the completion and signing of grant documents is recognized only when it can be reliably estimated and realization is probable. IFES bases its estimates on previous experiences with the customer or grantors, communications with the customer or grantor regarding funding status and its knowledge of available funding for the contract or grant.

IFES receives grants, cooperative agreements and contracts 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. These agreements are considered exchange transactions. Revenue and expenses are recognized in accordance with the authoritative guidance issued by the Financial Accounting Standards Board (the FASB) whereby revenue is generally recognized as the related qualifying expenses are incurred. Any excess of cash advances received over reimbursable expenditures, including advances, is recorded as deferred revenue.

Federal government contract 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 70% and 67% of total unrestricted revenues and support for the years ended September 30, 2016 and 2015, respectively.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### **Note 1. Nature of Organization and Summary of 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.

Donated services are recognized as contributions in accordance with the authoritative guidance issued by the FASB if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills and would otherwise be purchased by IFES. During the years ended September 30, 2016 and 2015, IFES recorded donated legal fees and travel expenses for board members of \$121,925 and \$100,918, respectively, which are included in legal fees and travel in the accompanying statement of functional expenses.

**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.

**Restricted cash and cash equivalents:** At September 30, 2016 and 2015, IFES had restricted balances of cash and cash equivalents required as collateral for letters of credit required under IFES's home office leases (see Note 7) and the credit card program and line of credit.

**Grants and contract receivables:** Grants and contract receivables are generated from prime and subcontracting arrangements with federal governmental agencies and other various private and governmental entities. 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 contracts and 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 contract receivables are considered past due if the invoice has been outstanding more than 30 days. IFES does not charge interest on billing contract 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. 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.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

Software and equipment purchased for use on federal awards are charged directly as expenditures to the award. Prior to the completion of the 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.

**Net assets:** Resources are classified for accounting and reporting purposes in three classes of net assets based on the existence or absence of donor-imposed restrictions. A description of each type is as follows:

**Permanently restricted:** Net assets subject to donor-imposed stipulations that they be maintained permanently by IFES. Generally, the donors of these assets permit the organization to use the income earned on the related investment for general or specific purposes. There were no permanently restricted net assets at September 30, 2016.

**Temporarily restricted:** Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or the passage of time.

**Unrestricted:** Net assets that are not subject to donor-imposed restrictions.

**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 functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

**Income taxes:** The Internal Revenue Service has determined that IFES is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated business income. For the years ended September 30, 2016 and 2015, IFES has substantially no activities subject to unrelated business income taxes. IFES is not classified as a private foundation under Section 509(a)(1) of the Internal Revenue Code.

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 2013.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

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.

**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 \$1.7 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2016.

**Upcoming accounting pronouncements:** In February 2016, the FASB issued Accounting Standards Update (ASU) No. 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 balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, 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.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. IFES has not yet evaluated the impact of this ASU on the financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU No. 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU No. 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU No. 2014-09, as deferred one year by ASU No. 2015-14, will be effective for annual reporting periods beginning after December 15, 2018 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU No. 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU No. 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU No. 2014-09. IFES has not yet evaluated the impact of this ASU on the financial statements.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

In May 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown in the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The ASU should be applied using a retrospective transition method for each period presented. IFES has not yet evaluated the impact of this ASU on the financial statements.

**Subsequent events:** IFES has evaluated its September 30, 2016, financial statements for subsequent events through June 28, 2017, the date the financial statements were available to be issued.

#### Note 2. Grants and Contracts Receivable

Grants and contracts receivables consist of the following at September 30:

	2016	2015
Unbilled receivables	\$ 4,975,806	\$ 4,038,629
Billed receivables	242,662	142,563
Other receivables	7,147	162,208
	5,225,615	4,343,400
Less allowance for doubtful accounts	(310,638)	(416,433)
	<u>\$ 4,914,977</u>	<u>\$ 3,926,967</u>

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

#### Note 3. Property and Equipment

Property and equipment consists of the following at September 30:

	2016	2015
Leasehold improvements	\$ 3,303,466	\$ -
Software	1,663,701	1,631,126
Furniture and equipment	71,930	71,930
	5,039,097	1,703,056
Less accumulated depreciation and amortization	(1,868,311)	(1,620,280)
	<u>\$ 3,170,786</u>	<u>\$ 82,776</u>

Depreciation and amortization expense totaled \$248,031 and \$30,748 for the years ended September 30, 2016 and 2015, respectively.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### 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 Internal Revenue Code Section 401(k) and has received a favorable determination as to its tax status from the Internal Revenue Service. IFES recorded contributions to the Plan of \$669,456 and \$626,286 the years ended September 30, 2016 and 2015, 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 \$72,329 and \$74,734 for the years ended September 30, 2016 and 2015, respectively.

#### Note 5. Related Party Transactions

During the years ended September 30, 2016 and 2015, IFES received contributions totaling \$78,300 and \$26,915, respectively, from various board members.

#### Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets 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](http://electionaccess.org)).

#### Note 7. Commitments and Contingencies

**Leases:** During October 2009, IFES leased office space for its home office in Washington, D.C. under the terms of a noncancellable operating lease, which was scheduled to expire in March 2020. On November 1, 2015, IFES moved its home office to an office space in Arlington, Virginia. Under the terms of the new noncancellable operating lease, the landlord assumed IFES's obligation under the D.C. lease. Thus, IFES wrote off the unamortized balance of the deferred rent balance of \$1,374,219, which is reported under gain on lease transactions on the statement of activities. In addition, IFES recognized a loss of \$616,733 related to the landlord's assumption of the old lease. The loss is netted against the gain on lease transactions on the statement of activities and reported under deferred rent on the statement of financial position. IFES is also required to provide a letter of credit for \$154,779 in connection of the old lease, which is collateralized by a restricted cash account.

The term of the new lease will end on October 31, 2030 and annual rent is \$1,660,932 for the first year and is increased by 2.5% annually. In addition, the new 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 statement of financial position and being amortized over the lease term. In connection of the new lease, IFES provided the landlord with a letter of credit in the amount of \$833,466.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 7. Commitments and Contingencies (Continued)

As of September 30, 2016, the following is a schedule by year of the future minimum lease payments required under the new operating office lease:

Years ending September 30:	
2017	\$ 1,718,495
2018	1,761,750
2019	1,806,098
2020	1,851,567
2021	1,898,185
2022-2030	19,584,504
	<u>\$ 28,620,599</u>

Rent expense related to noncancellable operating leases aggregated \$1,793,934 and \$2,210,106 for the years ended September 30, 2016 and 2015, 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 aggregated \$1,071,221 and \$1,548,249 for the years ended September 30, 2016 and 2015, respectively.

As of September 30, 2016, the following is a schedule by year of the future minimum lease payments required under the operating foreign office leases:

Years ending September 30:	
2017	\$ 364,339
2018	207,458
2019	214,640
2020	70,093
	<u>\$ 856,530</u>

**Letters of credit:** At September 30, 2016 and 2015, IFES has outstanding letters of credits of \$985,245 and \$989,691, respectively, related to security deposit requirements for its noncancelable operating office leases. These letters of credits are fully secured by restricted certificates of deposit and expire in October 2017.

**Line of credit:** IFES has a line of credit with Capital One Bank in the amount of \$500,000. This requires IFES to maintain a restricted cash account in the amount of \$500,000 as a collateral. IFES may borrow and repay this line of credit until January 2018. There were no borrowings on the line of credit as of September 30, 2016.

**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.

During the year ended September 30, 2016, an adjustment of approximately \$600,000 was made to current year expenses for disallowed costs from prior years. The adjustment was to increase the liability to the U.S. Government grants and decrease the current year revenue. The effect on current year change in net assets was a decrease of \$600,000.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### **Note 7. Commitments and Contingencies (Continued)**

**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.



RSM US LLP

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Directors  
International Foundation for Electoral Systems  
Arlington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of International Foundation for Electoral Systems (IFES), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 28, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered IFES's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IFES's internal control. Accordingly, we do not express an opinion on the effectiveness of IFES's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether IFES's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

McLean, Virginia  
June 28, 2017

**Report on Compliance for the Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance,  
Schedule of Indirect Cost Rate Computations and Schedule of Fringe Expenses**

To the Board of Directors  
International Foundation for Electoral Systems  
Arlington, Virginia

**Report on Compliance for the Major Federal Program**

We have audited International Foundation for Electoral Systems' (IFES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on IFES's major federal program for the year ended September 30, 2016. IFES's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for IFES's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IFES's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of IFES's compliance.

**Opinion on the Major Federal Program**

In our opinion, IFES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

## **Report on Internal Control Over Compliance**

Management of IFES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IFES's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IFES's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance, Schedule of Indirect Cost Rate Computations and Schedule of Fringe Expenses**

We have audited the financial statements of IFES as of and for the year ended September 30, 2016, and have issued our report thereon dated June 28, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. The accompanying schedule of indirect cost rate computations and schedule of fringe expense are presented for the purpose of additional analyses and are also not required parts 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 audit 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 schedule of expenditure of federal awards, schedule of indirect cost rate computations and schedule of fringe expenses are fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

McLean, Virginia  
June 28, 2017

**International Foundation for Electoral Systems**

**Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016**

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**Section I - Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

           Yes            X       No

Significant deficiency(ies) identified?

           Yes            X       None reported

Noncompliance material to financial statements noted?

           Yes            X       No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

           Yes            X       No

Significant deficiency(ies) identified?

           Yes            X       None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

           Yes            X       No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
----------------	------------------------------------

98.001

USAID Foreign Assistance  
for Programs Overseas

Dollar threshold used to distinguish between type A and type B programs:

\$1,245,906

Auditee qualified as low-risk auditee?

           Yes            X       No

(Continued)

**International Foundation for Electoral Systems**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2016**

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**Section II. Financial Statements Findings**

None reported.

**Section III. Findings and Questioned Costs for Federal Awards**

None reported.

## International Foundation for Electoral Systems

### Summary Schedule of Prior Year Findings Year Ended September 30, 2016

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#### Section II. Financial Statement Findings

##### Finding No. 2015-001: Financial statement preparation and closing process

###### Material Weakness

**Condition and context:** A formal review and reconciliation was not completed in its entirety to ensure all accounts were closed for the period and accurately reconciled in accordance with generally accepted accounting principles (GAAP) and as a result, we identified several errors and/or inconsistencies in accounting records. While the collective amount of these was not material to the overall financial statements, multiple accounts and amounts were affected. Several errors were identified during our testing of account balances including cash, prepaid assets, accrued payroll and accounts payable.

**Current status:** Corrective action was taken and finding was rectified.

#### Section III. Federal Program Audit Findings

###### Material Weakness

##### Finding No. 2015-002: Financial statement preparation and closing process

See Finding 2015-001.

#### Significant Deficiency and Noncompliance Finding

##### Finding No. 2015-003: Direct Costs

**Condition and context:** During the audit, we noted that four employees worked on two Federal projects: 01004.3.052 and 01004.3.058. Payroll cost was allocated between the two projects based on employees' timesheets. We recalculated a sample payroll cost of \$5,138 charged to project 01004.3.052. Based on our recalculation, we noted \$513 was incorrectly overcharged to project 01004.3.052 instead of project 01004.3.053.

**Current status:** Corrective action was taken and finding was rectified.

**International Foundation for Electoral Systems**

**Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2016**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Agency Prefix/		Information Agreement Number	Total Federal Expenditures	Total Amount Provided to Subrecipients
	CFDA Number*	IFES Special Project Number			
<b>U.S. Agency for International Development (USAID)</b>					
USAID foreign assistance for programs overseas:					
EGYPT DELTA III	98.001	28A79.2.0005.001	AID-263-A-11-00001	\$ (13,171)	\$ -
UKRAINE ELR Program	98.001	28A79.2.0006	AID-121-A-11-00001	1,091,271	31,247
Indonesia AGENDA-USAID	98.001	28A79.2.0007	AID-497-A-11-00010	(7,406)	-
Civic Ed Senegal (CEPURG)	98.001	28A79.2.0008.001	AID-685-A-11-00001	(3,343)	-
iPERSIA	98.001	28A79.2.0009	AID-OAA-A-11-00043	(9,081)	-
MAURITANIA	98.001	28A79.2.0010	AID-685-A-12-00006	(1,986)	-
Indonesia Elec Exchange	98.001	28A79.2.0011	AID-497-G-12-00005	(224)	-
Gender/Electoral Violence	98.001	28A79.2.0012.001	AID-0AA-A-12-00071	93,811	32,111
Indonesia EAP	98.001	28A79.2.0013	AID-497-A-13-00009	(12,223)	-
Albania PEP	98.001	28A79.2.0014	AID-182-A-13-00002	(1,343)	-
Maldives-Polit Violence	98.001	28A79.2.0015	AID-383-A-13-00002	283,171	79,811
Nigeria-USAID SERP	98.001	28A79.2.0018.001	AID-620-A-14-00002	3,584,073	106,155
PNG-USAID CMM APS	98.001	28A79.2.0024.001	AID-492-A-15-00003	369,143	-
KEAP-Component 0	98.001	28A79.2.0035	AID-615-A-16-00001	561,078	-
IRAN TAA Initiative	98.001	01104.001	AID-OAA-A-09-00005	(4,490)	-
Philippines STAMP	98.001	01105.001	492-A-00-09-00028-00	(7,991)	-
CSSP Rwanda Expenses	98.001	01107.01	AID-696-A-10-00002	(403)	-
Moldova EACD	98.001	01108	121-A-00-10-00706-00	(6,523)	-
ZIM-SEAP	98.001	03610.51	AID-613-C-15-000004	455,205	-
Pass-through from Consortium for Elections and Political Process Strengthening (CEPPS):					
IRAQ Electoral Asst IECI	98.001	01002.3.512	267-A-00-04-00405-00	(20)	-
Guinea Elections CEPPS II	98.001	01002.3.544	675-A-00-08-00026-00	(6,550)	-
CEPPS Afghanistan	98.001	01002.3.557	306-A-00-08-00529-00	(19,864)	-
TUNISIA PETA	98.001	01004.1.001	DFD-A-00-08-00350-00	(1,332)	-
ALBANIA TECH ASSISTANCE	98.001	01004.1.002	DFD-A-00-08-00350-00	(1)	-
CEPPS INDIA IIDEM	98.001	01004.1.003	DFD-A-00-08-00350-00	(1,037)	-
COTE DIVOIRE CEPPS LWA	98.001	01004.1.004	DFD-A-00-08-00350-00	(4,003)	-
LIBYA CEPPS LWA	98.001	01004.1.005	DFD-A-00-08-00350-00	(7,372)	-
DRC CEPPS LWA	98.001	01004.1.007	DFD-A-00-08-00350-00	(658)	-
GWLF CEPPS LWA	98.001	01004.1.008	DFD-A-00-08-00350-00	(1,583)	-
CEPPS Burma	98.001	01004.1.009	DFD-A-00-08-00350-00	(1,299)	-
CEPPS Ukraine Rapid Respo	98.001	01004.1.010	DFD-A-00-08-00350-00	(1,135)	-
CEPPS LEDR ADMIN	98.001	01004.2.001	DFD-A-00-08-00350-00	(289)	-
TL Adjudication Guide	98.001	01004.2.002	DFD-A-00-08-00350-00	(34)	-
TL CIVIL/VOTER REGISTRY	98.001	01004.2.003	DFD-A-00-08-00350-00	(2)	-
TL ERIS	98.001	01004.2.004	DFD-A-00-08-00350-00	(677)	-
CAMBODIA FIELD SUPPORT	98.001	01004.2.005	DFD-A-00-08-00350-00	-	-
TL TIDE II	98.001	01004.2.007	DFD-A-00-08-00350-00	(229)	-
Elect Proc Diagnostic Met	98.001	01004.2.008	DFD-A-00-08-00350-00	(613)	-
Elect Law Reform Meth	98.001	01004.2.009	DFD-A-00-08-00350-00	(724)	-
Subawards Program	98.001	01004.2.011	DFD-A-00-08-00350-00	(332)	-
E-voting	98.001	01004.2.012	DFD-A-00-08-00350-00	(1,045)	-

(Continued)

International Foundation for Electoral Systems

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Agency Prefix/ CFDA		Information Agreement Number	Total Federal Expenditures	Total Amount Provided to Subrecipients
	Number*	IFES Special Project Number			
<b>U.S. Agency for International Development (USAID) (continued)</b>					
Pass-through from Consortium for Elections and Political Process Strengthening (CEPPS):					
CEPPS ASSOC ADMIN	98.001	01004.2.013	DFD-A-00-08-00350-00	\$ 34,554	\$ -
Kyrgyzstan Democracy Camp	98.001	01004.3.001	116-A-00-09-00010-00	(1,082)	-
ARMENIA CEPPS III	98.001	01004.3.003	111-A-00-09-00002-00	(4,956)	-
CAMBODIA CEPPS III	98.001	01004.3.006	AID-442-A-09-00001	(10,505)	-
UKRAINE CEPPS III	98.001	01004.3.007	121-A-00-09-00709-00	(1,246)	-
CEPPS III Indonesia	98.001	01004.3.010	497-A-00-10-00004-00	(4,553)	-
NIGERIA CEPPS III	98.001	01004.3.014	620-A-00-10-00007-00	(30,855)	-
UGANDA CEPPS III	98.001	01004.3.015	AID-617-LA-10-00002	2	-
KYRGYZSTAN Elections	98.001	01004.3.016	116-A-00-10-00014-00	(5,096)	-
NEPAL CEPPS III	98.001	01004.3.017	AID-367-LA-10-00001	2,260,832	339,872
NIGER CEPPS III	98.001	01004.3.018	624-A-00-10-00033-00	(3)	-
GEORGIA CEPPS III	98.001	01004.3.019	AID-114-LA-10-00003	(25,316)	-
HAITI CEPPS III	98.001	01004.3.020	521-A-00-10-00020-00	(991)	-
ZIMBABWE-CEPPS III	98.001	01004.3.021	674-A-00-10-00020-00	(9,110)	-
KOSOVO SEAK II	98.001	01004.3.022	167-A-00-10-00102-00	(7,462)	-
GUATEMALA TSE	98.001	01004.3.023	AID-520-LA-10-0001	(4,597)	-
SERBIA CEPPS III	98.001	01004.3.024	169-A-00-10-00102-00	(670)	-
Lebanon SCPME	98.001	01004.3.025	268-A-00-10-00004-00	(1,761)	-
CEPPS Maldives/Sri Lanka	98.001	01004.3.026	AID-383-LA-11-00001	(1,721)	-
CEPPS Sierra Leone	98.001	01004.3.027	636-A-00-11-00001-00	(4,032)	-
Kenya KEPPS (CEPPS III)	98.001	01004.3.028	AID-623-LA-11-00007	(20,260)	-
Mali-CEPPS III	98.001	01004.3.029	AID-688-L-11-00001	(5,630)	-
IRAQ CEPPS III	98.001	01004.3.030	AID-267-LA-11-00001	646	-
SPANS (CEPPS III)	98.001	01004.3.031	AID-OAA-LA-11-00009	(1,864)	-
African Union (CEPPS III)	98.001	01004.3.032	AID-663-LA-11-00003	(4,950)	-
YEMEN (CEPPS III)	98.001	01004.3.033	AID-279-LA-12-00001	(21,620)	-
Niger (CEPPS III)	98.001	01004.3.034	AID-624-LA-12-00003	(4,747)	-
PNG (CEPPS III)	98.001	01004.3.035	AID-492-LA-12-00001	(796)	-
Angola (CEPPS III)	98.001	01004.3.036	AID-654-LA-12-00001	(52)	-
KYRGYZSTAN (CEPPS III)	98.001	01004.3.038	AID-176-LA-12-00003	452,683	-
Egypt (CEPPS III)	98.001	01004.3.039	AID-263-LA-12-00002	1,891,691	292,492
Honduras (CEPPS III)	98.001	01004.3.040	AID-522-LA-12-00001	(331)	-
Guatemala CEPPS III	98.001	01004.3.041	AID-520-LA-12-00001	646,128	-
Jordan-CEPPS III	98.001	01004.3.042	278-A-00-10-00407-00	3,810,887	-
Pakistan-CEPPS III	98.001	01004.3.043	AID-391-LA-12-00001	(248)	-
Libya-CEPPS III	98.001	01004.3.044	AID-OAA-LA-12-00006	1,653,845	2,639
Bangladesh-CEPPS III	98.001	01004.3.045	AID-388-LA-13-00001	572,519	68,745
BURMA-CEPPS III	98.001	01004.3.046	AID-486-LA-13-00002	2,362,716	10,322
Burundi-CEPPS III	98.001	01004.3.047	AID-623-LA-13-00001	294,625	43,443
Haiti-CEPPS III	98.001	01004.3.048	AID-521-LA-13-00001	2,473,643	346,071
Mali 2013-CEPPS III	98.001	01004.3.049	AID-688-LA-13-00004	516,808	49,832
Syria-CEPPS III	98.001	01004.3.050	AID-OAA-LA-13-00009	(3,057)	-
REAPPS-CEPPS III	98.001	01004.3.051	AID-OAA-LA-13-00011	166,839	-
Kosovo-CEPPS III	98.001	01004.3.052	AID-167-LA-13-00002	1,012,625	-

(Continued)

International Foundation for Electoral Systems

Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal Agency Prefix/ CFDA		Information Agreement Number	Total Federal Expenditures	Total Amount Provided to Subrecipients
	Number*	IFES Special Project Number			
<b>U.S. Agency for International Development (USAID) (continued)</b>					
Pass-through from Consortium for Elections and Political Process Strengthening (CEPPS):					
Guinea 2013 CEPPS III	98.001	01004.3.053	AID-675-A-13-00007	\$ (8,689)	\$ -
Liberia 2014 CEPPS III	98.001	01004.3.054.001	AID-669-A-14-00001	2,279,686	-
Georgia 2014 CEPPS III	98.001	01004.3.055.001	AID-114-LA-14-00003	1,911,486	59,137
Fiji 2014 CEPPS III	98.001	01004.3.056	AID-492-LA-14-00001	(1,343)	-
Cote d Ivoire CEPPS III	98.001	01004.3.057.001	AID-624-LA-14-00002	841,301	55,535
Kosovo DPO-CEPPS III	98.001	01004.3.058	AID-167-LA-14-00002	612,204	128,583
CEPPS BURKINA FASO 2015	98.001	01004.3.059.001	AID-625-LA-15-00001	1,148,735	177,472
CEPPS III Syria 2015	98.001	01004.3.060.001	AID-OAA-LA-15-00005	607,074	139,522
CEPPS III Uganda 2015	98.001	01004.3.061.001	AID-617-LA-15-00001	924,692	-
CEPPS III Tanzania	98.001	01004.3.062.001	AID-621-LA-15-00001	95,233	-
CEPPS GWLF 2015	98.001	01004.3.063.001	AID-OAA-LA-15-00009	150,355	20,719
CEPPS MOROCCO	98.001	01004.3.064.001	AID-608-LA-12-00001	280,910	-
CEPPS Zambia	98.001	01004.3.065.002	AID-611-LA-15-00001	267,535	-
CEPPS III GUINEA	98.001	01004.3.066	AID-675-A-15-00001	1,236,961	252,844
CEPPS III MACEDONIA	98.001	01004.3.067	AID-165-A-12-00006	1,307,361	-
CEPPS III SRI LANKA	98.001	01004.3.069	AID-383-LA-15-00001	1,293,112	-
CEPPS Guatemala SPANS	98.001	01004.4.023	AID-520-LA-10-0001	(777)	-
GWLF CEPPS LWA Exp	98.001	01024.01.001	DFD-A-00-08-00350-00	(24)	-
Honduras (CEPPS III)	98.001	01040.3.040	AID-522-LA-12-00001	(9,702)	-
IRAQ Election Support	98.001	C3030.01.01	AID-267-LA-00001	(60,283)	-
EPT I LEADER ADMIN	98.001	EPT01.01.001.001.001	AID-OAA-15-00007	330,899	-
EPT I-TECHN LDSHP-ASR	98.001	EPT01.01.002.001.001	AID-OAA-15-00007	99,425	-
EPT I TECHN LDSHP DRC ASS	98.001	EPT01.01.004.001.001	AID-OAA-15-00007	135,454	-
EPT I ASSOC ADMIN	98.001	EPT01.02.001.001.001	DFD-A-00-08-00350-00	218,083	-
EPT Timor Leste (SIEPP)	98.001	EPT01.02.002.001.001	AID-472-LA-16-00001	167,109	-
EPT-Ukraine (U-RAP)	98.001	EPT01.02.003.001.001	AID-121-LA-16-00001	1,177,694	-
EPT Burma (SDI)	98.001	EPT01.02.004.001.001	AID-482-LA-16-00001	477,586	-
EPT Kosovo SEAA	98.001	EPT01.02.006.001.001	AID-167-LA-16-00002	122,317	-
Pass-through from National Democratic Institute (NDI):					
AFGHAN/USAID-SPECS	98.001	01117.01.001	AID-306-A-13-00003	(5,748)	-
TECH ASST TO NEC CAMBODIA	98.001	01136.01.001	16-16100B-CAM.0-1420	131,247	-
Pass-through from Counterpart International (CPI):					
CPI/USAID Chad PEACE	98.001	01112.01	624-A-00-10-00089	(946)	-
SRI LANKA-SPICE/CPI	98.001	01119.01	AID-383-LA-13-00001	419	-
Egypt	98.001	01121.02.001	GCSS LWA to CPI	430	-
USAID-Guatemala-CPI	98.001	01134.01	AID-520-LA-15-0001	91,708	-
Pass-through from FHI 360:					
AED-GREAT Senegal	98.001	01110	685-A-00-10-00144-00	(1,226)	-
Pass-through from OTI:					
Tunisia DAI OTI	98.001	01126.01.001	DOT-I-00-08-00035-00	(566)	-
Libya-USAID OTI Chemonics	98.001	01128.01.001	TRIP127	(134)	-
<b>Total CFDA No. 98.001 and Total USAID</b>				<b>40,113,879</b>	<b>2,236,552</b>

(Continued)

**International Foundation for Electoral Systems**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended September 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/ Program Title</b>	<b>Federal Agency Prefix/ CFDA Number*</b>	<b>IFES Special Project Number</b>	<b>Information Agreement Number</b>	<b>Total Federal Expenditures</b>	<b>Total Amount Provided to Subrecipients</b>
<b>U.S. Department of State</b>					
Middle East Partnership Initiative:					
MENA MEPI POL FIN REFORM	19.500	04005.01	S-NEAPI-11-CA-321	\$ (1,586)	\$ -
TUNISIA INFO & OUTREACH	19.500	04006.01	S-NEAPI-11-CA-336	(5,862)	-
Tunisia Positive Post Ele	19.500	04022.01.001	S-NEAAC-15-CA-1040	862,436	-
<b>Total CFDA No. 19.500</b>				<u>854,988</u>	<u>-</u>
Iran Assistance Program:					
iPERSIA 2.0	19.221	04018.01	S-NEAAC-14-CA-1006	459,291	177,977
<b>Total CFDA No. 19.221</b>				<u>459,291</u>	<u>177,977</u>
General Department of State Assistance:					
Central African Republic	19.700	04017.01.001	S-LMAQM-14-GR-1298	(4,266)	-
<b>Total CFDA No. 19.700</b>				<u>(4,266)</u>	<u>-</u>
Pass-through from Mobility Rights Now (MUSA)					
International Programs to Support Democracy, Human Rights and Labor:					
Mobility Rights Now	19.345	04023.01	S-LMAQM-14-CA-1146	106,321	-
<b>Total CFDA No. 19.345</b>				<u>106,321</u>	<u>-</u>
<b>Total U.S. Department of State</b>				<u>1,416,334</u>	<u>177,977</u>
<b>Total expenditures of federal awards</b>				<u>\$ 41,530,213</u>	<u>\$ 2,414,529</u>

See notes to schedule of expenditures of federal awards.

## International Foundation for Electoral Systems

### Notes to Schedule of Expenditures of Federal Awards

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of International Foundation of Electoral Systems (IFES) under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of IFES, it is not intended to and does not present the financial position, changes in net assets or cash flows of IFES.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable, or are limited as to reimbursement. IFES does not utilize the 10% de minimis indirect cost rate as provided under the Uniform Guidance as it does not meet the criteria to elect it. Rather, IFES has a negotiated indirect cost rate with the U.S. Agency for International Development under a provisional/final rate structure. IFES applies the approved rates to its Federal awards unless statutory or agreed-upon rate caps are in place that limited indirect recovery. The additional supplemental schedule of indirect costs presents the actual indirect cost rates and the detail of expenses included in the calculation of the indirect cost rates.

**International Foundation for Electoral Systems**

**Schedule of Indirect Cost Rate Computations  
Year Ended September 30, 2016**

	General and Administrative	Fringe Benefits	Commodities Procurement	Subrecipient Processing
Compensation	\$ 4,668,324	\$ -	\$ 17,357	\$ 57,069
Occupancy	1,791,670	-	-	-
Unallowable indirect costs	636,370	-	-	-
Other office	1,275,129	-	-	-
Travel	294,669	-	-	1,477
Consulting	335,080	-	683	15,471
Legal fees	454,202	-	-	-
Seminars/training	145,405	-	-	-
Telephone	175,988	-	-	-
Equipment	170,293	-	-	-
Accounting fees	168,557	-	-	-
Printing/production	77,558	-	-	-
Supplies	62,809	-	-	-
Depreciation	235,055	-	-	-
Postage/deliver	13,842	-	-	-
Field office expense	(12,221)	-	-	-
Allocated to non-USG pool	(2,043,691)	-	-	-
Fringe benefits	-	5,838,876	6,917	23,096
<b>Total direct expenses</b>	<b>8,449,039</b>	<b>5,838,876</b>	<b>24,957</b>	<b>97,113</b>
Interpool allocations – G&A	-	-	-	-
<b>Total indirect expenses</b>	<b>8,449,039</b>	<b>5,838,876</b>	<b>24,957</b>	<b>97,113</b>
Allocated fringe benefits	1,840,680	-	-	-
Unallowable indirect costs	(636,370)	-	-	-
<b>Total indirect pools</b>	<b>\$ 9,653,349</b>	<b>\$ 5,838,876</b>	<b>\$ 24,957</b>	<b>\$ 97,113</b>
Direct bases	<b>\$ 27,097,411</b>	<b>\$ 14,652,085</b>	<b>\$ 2,854,137</b>	<b>\$ 2,414,529</b>
Indirect rate	<b>35.62%</b>	<b>39.85%</b>	<b>0.87%</b>	<b>4.02%</b>

## International Foundation for Electoral Systems

### Schedule of Fringe Expenses Year Ended September 30, 2016

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Health insurance	\$ 1,350,229
Annual leave	804,176
FICA – employer	759,003
Employer 401(K) expense	669,456
Holiday pay	611,833
Sick leave	373,870
Benefit allowance	327,894
Personal leave	177,365
Short-term disability	104,539
Dental insurance	99,276
International life insurance	86,353
TCN retirement exp	72,329
Parental leave	65,121
Unemployment insurance	63,437
Emp commuting-parking	57,123
Life insurance	51,801
Intl LTD insurance	46,994
Worker's compensation	24,034
Vision insurance	23,994
Inclement weather	22,249
Other – leave	21,671
Domestic LTD insurance	13,944
Bereavement leave	11,075
FMLA	10,843
Tuition reimbursement	9,000
Severance pay	7,716
Paid time off	5,980
Empl morale-YMAD	5,000
Election day leave	1,701
Jury duty	547
Empl morale-spot bonus	190
Leave without pay	(2,743)
Emp commuting-mass tran	(37,124)
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<b>Total fringe benefits pool</b>	<b>\$ 5,838,876</b>
	<hr/>
<b>Total salaries (direct and indirect)</b>	<b>\$ 14,652,085</b>
	<hr/>
Fringe benefit rate	<u>39.85%</u>