

# **International Foundation for Electoral Systems**

Financial Report  
September 30, 2018

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## Independent Auditor's Report

To the Board of Directors  
International Foundation for Electoral Systems

### 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, 2018 and 2017, the related statements of activities, functional expenses and cash flows 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, 2018 and 2017, 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 report dated June 13, 2019, on our consideration of IFES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of IFES's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IFES's internal control over financial reporting and compliance.

*RSM US LLP*

McLean, Virginia  
June 13, 2019

International Foundation for Electoral Systems

Statements of Financial Position  
September 30, 2018 and 2017

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 7,883,021	\$ 11,508,756
Grants and contracts receivable, net	2,798,636	802,276
Subrecipient advances	2,999,775	2,868,857
Prepaid expenses and other current assets	647,767	701,569
Travel and other advances	255,529	344,748
Restricted cash and cash equivalents	1,987,247	1,986,246
Property and equipment, net	2,699,697	2,938,802
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<b>Total assets</b>	<b>\$ 19,271,672</b>	<b>\$ 21,151,254</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,825,864	\$ 4,884,021
Accrued salaries, taxes and leave	1,795,077	1,565,751
Deferred revenue	3,929,766	6,645,241
Deferred rent	3,876,425	3,878,402
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<b>Total liabilities</b>	<b>15,427,132</b>	<b>16,973,415</b>
Commitments and contingencies (Note 7)		
Net assets:		
Unrestricted	3,508,755	3,816,928
Temporarily restricted	335,785	360,911
	<hr/>	<hr/>
<b>Total net assets</b>	<b>3,844,540</b>	<b>4,177,839</b>
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<b>Total liabilities and net assets</b>	<b>\$ 19,271,672</b>	<b>\$ 21,151,254</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statements of Activities**

**Years Ended September 30, 2018 and 2017**

	2018	2017
Changes in unrestricted net assets:		
Support and revenues:		
Federal grants and co-op agreements	\$ 37,185,366	\$ 46,969,013
Non-federal awards, private grants and contracts	16,876,653	14,460,398
Contributions	17,661	155,469
Donated services	33,481	48,423
Investment income	21,923	28,008
Other	25,322	20,241
Net assets released from restrictions	167,726	66,087
<b>Total unrestricted support and revenues</b>	<b>54,328,132</b>	<b>61,747,639</b>
Expenses:		
Direct costs:		
Salaries and direct allowances	14,844,562	15,781,253
Subrecipient expenses	7,541,566	13,023,564
Consultants and professional services	7,003,637	5,192,284
Other direct expenses	3,213,383	3,441,819
Travel and per diem	3,829,079	3,377,055
Commodities	1,363,490	3,139,350
Field office expenses	1,688,982	2,083,114
Furniture and equipment	584,299	1,010,532
Indirect expenses	14,567,307	14,781,887
<b>Total expenses</b>	<b>54,636,305</b>	<b>61,830,858</b>
<b>Change in unrestricted net assets</b>	<b>(308,173)</b>	<b>(83,219)</b>
Changes in temporarily restricted net assets:		
Contributions	142,600	19,250
Net assets released from restrictions	(167,726)	(66,087)
<b>Change in temporarily restricted net assets</b>	<b>(25,126)</b>	<b>(46,837)</b>
<b>Change in net assets</b>	<b>(333,299)</b>	<b>(130,056)</b>
Net assets:		
Beginning of year	4,177,839	4,307,895
End of year	<b>\$ 3,844,540</b>	<b>\$ 4,177,839</b>

See notes to financial statements.

International Foundation for Electoral Systems

Statement of Functional Expenses  
Year Ended September 30, 2018

	Program Services	Management and General	Fundraising	Total for the Year Ended September 30, 2018
Compensation	\$ 14,844,562	\$ 3,867,709	\$ 5,067	\$ 18,717,338
Other benefits	2,871,516	1,228,314	-	4,099,830
Payroll taxes	580,155	248,166	-	828,321
Retirement plan	449,211	192,153	-	641,364
Subrecipient pass-through awards	7,541,566	-	-	7,541,566
Consulting	7,003,637	615,072	2,750	7,621,459
Seminars/training	3,189,363	73,008	-	3,262,371
Travel	3,829,079	297,343	4,273	4,130,695
Commodities	1,363,490	-	-	1,363,490
Field office expenses	1,688,982	-	-	1,688,982
Occupancy	-	1,322,745	-	1,322,745
Equipment	584,299	144,083	-	728,382
Other office	24,020	827,423	-	851,443
Telephone	177,001	203,177	-	380,178
Legal fees	83,830	217,113	-	300,943
Accounting fees	86,846	166,850	-	253,696
Depreciation and amortization	-	255,686	-	255,686
Supplies	177,481	51,838	1,835	231,154
Fundraising events	-	-	189,400	189,400
Printing and reproduction	55,788	85,095	1,558	142,441
Postage and delivery	80,193	4,537	91	84,821
<b>Total for the year ended September 30, 2018</b>	<b>\$ 44,631,019</b>	<b>\$ 9,800,312</b>	<b>\$ 204,974</b>	<b>\$ 54,636,305</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statement of Functional Expenses  
Year Ended September 30, 2017**

	Program Services	Management and General	Fundraising	Total for the Year Ended September 30, 2017
Compensation	\$ 15,781,253	\$ 3,469,109	\$ 8,345	\$ 19,258,707
Other benefits	3,199,111	1,086,976	-	4,286,087
Payroll taxes	612,817	208,219	-	821,036
Retirement plan	484,737	164,701	-	649,438
Subrecipient pass-through awards	13,023,564	-	-	13,023,564
Consulting	5,192,284	817,463	100	6,009,847
Seminars/training	3,419,439	664,980	-	4,084,419
Travel	3,377,055	238,102	970	3,616,127
Commodities	3,139,350	-	-	3,139,350
Field office expenses	2,083,114	-	-	2,083,114
Occupancy	-	1,321,939	-	1,321,939
Equipment	1,010,532	54,954	-	1,065,486
Other office	22,380	470,773	5,201	498,354
Telephone	224,936	161,098	-	386,034
Legal fees	147,760	178,971	-	326,731
Accounting fees	85,504	174,603	-	260,107
Depreciation and amortization	-	258,020	-	258,020
Supplies	196,046	52,920	-	248,966
Bad debt	-	223,000	-	223,000
Printing and reproduction	43,864	102,081	835	146,780
Postage and delivery	98,351	25,039	362	123,752
<b>Total for the year ended September 30, 2017</b>	<b>\$ 52,142,097</b>	<b>\$ 9,672,948</b>	<b>\$ 15,813</b>	<b>\$ 61,830,858</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statements of Cash Flows**

**Years Ended September 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (333,299)	\$ (130,056)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	255,686	258,020
Changes in allowance for doubtful accounts	(38,912)	(206,014)
Change in deferred rent	(1,977)	37,205
Changes in operating assets and liabilities:		
Deposits into restricted cash accounts	(1,001)	(696)
Grants and contract receivables	(1,957,448)	4,318,715
Subrecipient advances	(130,918)	479,256
Prepaid expenses and other current assets	53,802	45,511
Travel and other advances	89,219	(123,416)
Accounts payable and accrued expenses	941,843	223,702
Accrued salaries, taxes and leave	229,326	(199,209)
Deferred revenue	(2,715,475)	(635,141)
<b>Net cash (used in) provided by operating activities</b>	<b>(3,609,154)</b>	<b>4,067,877</b>
Cash flows from investing activities:		
Purchases of property and equipment	(16,581)	(26,036)
<b>Net cash used in investing activities</b>	<b>(16,581)</b>	<b>(26,036)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(3,625,735)</b>	<b>4,041,841</b>
Cash and cash equivalents:		
Beginning of year	11,508,756	7,466,915
End of year	<b>\$ 7,883,021</b>	<b>\$ 11,508,756</b>

See notes to financial statements.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

**Nature of activities:** International Foundation for Electoral Systems (IFES) was established in 1987 as a nonprofit corporation in the District of Columbia. IFES supports the building of democratic societies around the world and provides technical assistance in the areas of election administration, civil society development, good governance and the rule of law. IFES maintains field offices in many countries 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. 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 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 63% and 72% of total unrestricted revenues and support for the years ended September 30, 2018 and 2017, respectively.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### 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.

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, 2018 and 2017, IFES recorded donated legal fees and travel expenses for board members of \$33,481 and \$48,423, respectively, which are included in legal fees and travel in the accompanying statements 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, 2018 and 2017, 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 Activities and Significant Accounting Policies (Continued)

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

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

**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, 2018 and 2017.

**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. The statement of functional expenses is presented to meet U.S. GAAP. The expenses are classified on the statement of activities on a federal basis.

**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 year ended September 30, 2018, IFES had approximately \$11,600 in unrelated business income tax as a result of the Tax Cuts and Jobs Act of 2017. For the year ended September 30, 2017, IFES had 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.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, IFES recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods. IFES recognizes interest accrued and penalties related to unrecognized tax benefits, if any, as income tax expense. With few exceptions, IFES is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended before 2015.

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 \$1.9 million of cash and cash equivalents held at financial institutions in foreign countries at September 30, 2018 and 2017.

**Reclassifications:** Certain reclassifications were made in the 2017 financial statements to conform to the current year presentation with no effect on the changes in net assets or net assets.

**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. 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.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

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.

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.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The amendments in the ASU should be applied on a modified prospective basis, although retrospective application is permitted. Entities should apply the amendments for transactions in which the entity serves as the resource recipient to annual periods beginning after December 15, 2018. Entities should apply the amendments for transactions in which the entity serves as the resource provider to annual periods beginning after December 15, 2019. Early adoption is permitted. IFES is currently evaluating the impact of IFES' pending adoption of the new standard on the financial statements.

**Subsequent events:** IFES has evaluated its September 30, 2018, financial statements for subsequent events through June 13, 2019, the date the financial statements were available to be issued.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 2. Grants and Contracts Receivable

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

	2018	2017
Unbilled receivables	\$ 59,684	\$ 393,522
Billed receivables	2,779,544	513,378
Other receivables	25,120	-
	<u>2,864,348</u>	<u>906,900</u>
Less allowance for doubtful accounts	(65,712)	(104,624)
	<u>\$ 2,798,636</u>	<u>\$ 802,276</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:

	2018	2017
Leasehold improvements	\$ 3,303,466	\$ 3,303,466
Software	1,717,132	1,700,551
Furniture and equipment	71,930	71,930
	<u>5,092,528</u>	<u>5,075,947</u>
Less accumulated depreciation and amortization	(2,392,831)	(2,137,145)
	<u>\$ 2,699,697</u>	<u>\$ 2,938,802</u>

Depreciation and amortization expense totaled \$255,686 and \$258,020 for the years ended September 30, 2018 and 2017, respectively.

#### 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 \$575,865 and \$596,008 the years ended September 30, 2018 and 2017, 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 \$65,499 and \$53,430 for the years ended September 30, 2018 and 2017, respectively.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 5. Related Party Transactions

During the years ended September 30, 2018 and 2017, IFES received contributions totaling \$38,100 and \$85,000, 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).

#### 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 during the year ended September 30, 2016, IFES wrote off the unamortized balance of the deferred rent balance less a loss related to the landlord's assumption of the old lease in the net amount of \$757,486. This net gain is 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 with 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 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 new lease term. In connection with the new lease, IFES provided the landlord with a letter of credit in the amount of \$830,466.

As of September 30, 2018, the following is a schedule by year of the future minimum lease payments required under the new operating office lease:

Years ending September 30:	
2019	\$ 1,806,098
2020	1,851,567
2021	1,898,185
2022	1,945,982
2023	1,994,987
2024-2030	15,643,535
	<u>\$ 25,140,354</u>

Rent expense related to noncancellable operating leases aggregated \$1,322,745 and \$1,324,849 for the years ended September 30, 2018 and 2017, respectively.

IFES also leases office space, corporate and group housing and furniture and equipment under cancellable and/or month-to-month operating leases that are directly reimbursable under various grants. Rent expense related to such cancellable operating leases within field office expenses aggregated \$709,675 and \$966,636 for the years ended September 30, 2018 and 2017, respectively.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

As of September 30, 2018, the following is a schedule by year of the future minimum lease payments required under the operating foreign office leases:

Years ending September 30:		
2019	\$	510,087
2020		173,536
2021		9,585
	\$	<u>693,208</u>

**Letters of credit:** At September 30, 2018 and 2017, IFES has two outstanding letters of credit totaling \$985,245 and \$986,246, respectively, related to security deposit requirements for its non-cancelable operating office leases. These letters of credit are fully secured by restricted certificates of deposit and expire in September 2019 and October 2019.

**Line of credit:** IFES had a line of credit with Capital One Bank in the amount of \$500,000. It required IFES to maintain a restricted cash account in the amount of \$500,000 as a collateral. In 2019, IFES terminated the line of credit early without penalty and the collateral was released in April 2019. IFES obtained a new revolving line of credit with Citibank, N.A for \$650,000 in February 2019. Interest accrues at a variable rate of 2.2% above the London Interbank Offered Rate (LIBOR) and is due monthly. The line is collateralized by the personal property of IFES. There were no advances on the line of credit as of the report date.

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

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

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



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

To the Board of Directors  
International Foundation for Electoral Systems

We have audited the financial statements of International Foundation for Electoral Systems (IFES) as of and for the year ended September 30, 2018, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

McLean, Virginia  
June 13, 2019

International Foundation for Electoral Systems

Schedule of Expenditures of Non USG Awards  
Year Ended September 30, 2018

Client	Project ID	Project Name	Contract ID	Start Date	End Date	Cash Received	Total Expenditures
Canadian International Development Agency, Department of Foreign Affairs, Trade and Development	05560	Furthering the Empowerment of Women and Youth Voters in Kenya	PO-7060471	04/07/14	12/31/18	\$ -	\$ 1,008,390
Commonwealth of Australia, Australian Aid	05571	Burma-AusAID	-	08/01/14	05/31/17	(30,774)	- *
Commonwealth of Australia, Australian Aid, The Department of Foreign Affairs and Trade	05582	Support for Electoral Disability Access 2 (ASEAN)	69937	03/25/14	10/31/17	(12,019)	(22,382) *
Canadian International Development Agency, The Department of Foreign Affairs, Trade and Development	05588	Strengthening Capacity of Electoral Actors	7060401	03/25/14	03/31/18	-	260,894
Canadian Agency for International Development, The Department of Foreign Affairs, Trade and Development	05590	Advancing the Electoral Process and Democracy	7060661	07/29/14	03/31/20	1,222,503	1,237,972
Swiss Agency for International Development	05618	Supporting Democratic Gains in Tunisia	81037807	11/01/15	10/31/18	400,000	755,286
Gouvernement de Suisse, Département des Affaires Étrangères	05619	Tunisia, Building Capacity of Electoral Stakeholders to Resolve Electoral Disputes	81035682	08/01/15	04/30/18	40,676	72,894
Commonwealth of Australia, Department of Foreign Affairs and Trade	05623	Indonesia DFAT-AEPD	-	05/24/14	03/31/17	(2,363)	- *
Commonwealth of Australia, Department of Foreign Affairs and Trade	05625	Papua New Guinea Electoral Systems Strengthening Project	71885	09/15/15	03/31/19	673,920	1,702,475
United Kingdom Aid, Department for International Development	05628	Strengthening Political Participation in Bangladesh, Phase 2 (SPP II)	200593-114	01/01/16	08/30/17	(30,957)	(240) *
European Union, Delegation of the European Union to the Republic of Zimbabwe	05634	Institutional Strengthening for the Zimbabwe Electoral Commission (ZEC)	FED/2015/365-080	01/01/16	01/01/19	-	852,584
Abt Associates	05640	PNG Governance Family	PGF-2016-0010	12/01/16	02/29/20	1,695,873	2,175,466
Commonwealth of Australia, Department of Foreign Affairs and Trade	05649	Supporting Timorese Election Management (STEM)	PGF-2016-0010	01/01/17	12/31/17	-	1,735
United States Agency for International Development/ United Kingdom Aid, Department for International Development	05653	People Against Violence in Elections	29281	09/01/16	03/31/17	(9,082)	(29) *
The Department of Foreign Affairs, Trade and Development	05659	Promotion of Women's Electoral Power (POWER) in SRI LANKA	72908	10/03/16	03/31/18	112,575	147,035
Commonwealth of Australia, Australian Aid	05660	Support Timorese Election Management Bodies for 2018 Elections	74255	02/26/18	09/30/18	360,611	360,681
United Kingdom Aid, Department for International Development	05662	Institutions for Inclusive Development (I4ID) programme	7360	06/13/16	06/12/21	-	694
Commonwealth of Australia, Australian Aid	05663	She Leads	73286	03/24/17	12/31/18	178,140	273,110
United Kingdom Aid, Department for International Development	05664	Sustainable and Inclusive Approaches to Elections in Myanmar	203454-101 / 73891	06/01/17	05/31/19	2,530,442	2,126,812
Commonwealth of Australia, Australian Aid	05665	Disability Rights in ASEAN Project	73485	05/19/17	12/31/17	(1,061)	48,780 *
United Kingdom Aid, Department for International Development	05666	Electoral and Legal Enhancements Through Civic Engagement and Technical Assistance	300476-101	08/01/17	03/31/20	1,879,715	1,830,806
United Kingdom Aid, Department for International Development	05667	Strengthening Political Participation in Bangladesh	203487	09/01/17	08/31/19	568,716	697,969
Development Alternatives Incorporated	05668	Enhancing Local Governance in Zimbabwe	030/6257	11/08/17	03/31/19	1,239,980	588,981
Fijian Elections Office	05669	Reporting on Elections Accurately and Impartially	-	02/15/18	03/15/18	45,000	41,830
Dutch Embassy	05670	EDRTO & A SINT MARTEEN	H4-251606-10107-4103	Fixed Price		29,228	23,745
Australian Aid	05671	Support for Development of the ASEAN Master Plan on Disability	74245	03/21/18	03/31/20	661,347	175,135
Commonwealth of Australia, Australian Aid	05672	Indonesia Democratic Governance Reform	74291	03/15/18	12/31/19	736,074	431,391
The Department of Foreign Affairs, Trade and Development	05674	Ending Impunity for Violence against Women in Zimbabwe	7391369	06/11/18	01/31/19	176,490	106,872
Global Affairs Canada	05678	Mitigating Electoral Violence Against Women in Afghanistan	P000201	08/01/18	03/31/19	152,247	30,175
Instituto Interamericano de Derechos Humanos	05902	Support for Technical Accompaniment 2018	2018-001	04/26/18	07/12/18	20,400	26,740
European Union	06024	Renforcement des Capacités des Acteurs Electoraux	DEC 01691/CT 289-773	11/08/12	05/07/13	-	11,314
<b>Total Non USG Awards</b>						<b>\$ 12,637,681</b>	<b>14,967,115</b>

\* Refunds to donors

Service contracts, administration award and final adjustments 1,909,538  
\$ 16,876,653