

International Foundation for Electoral Systems

Financial Report
September 30, 2020

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RSM US LLP

Independent Auditor's Report

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, 2020 and 2019, 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 International Foundation for Electoral Systems as of September 30, 2020 and 2019, 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, IFES adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made on a modified prospective method as a resource recipient*. The adoption of this standard resulted in additional disclosures. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021, 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
May 20, 2021

International Foundation for Electoral Systems

Statements of Financial Position September 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 16,378,564	\$ 10,583,163
Grants and contract receivables, net	4,284,903	6,057,174
Subrecipient advances	1,024,788	119,682
Prepaid expenses and other current assets	1,041,909	964,529
Travel and other advances	157,140	273,160
Restricted cash and cash equivalents	830,556	986,239
Property and equipment, net	2,369,102	2,458,036
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Total assets	\$ 26,086,962	\$ 21,441,983
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Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,969,710	\$ 4,182,486
Accrued salaries, taxes and leave	2,549,919	1,962,386
Deferred revenue	9,654,715	7,986,439
Deferred rent	3,738,307	3,830,101
	<hr/>	<hr/>
Total liabilities	21,912,651	17,961,412
Commitments and contingencies (Note 6)		
Net assets:		
Without donor restrictions	3,746,618	3,122,135
With donor restrictions	427,693	358,436
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Total net assets	4,174,311	3,480,571
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Total liabilities and net assets	\$ 26,086,962	\$ 21,441,983
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See notes to financial statements.

International Foundation for Electoral Systems

Statements of Activities

Years Ended September 30, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions:		
Support and revenues:		
Federal grants and co-op agreements	\$ 42,719,769	\$ 43,849,828
Non-federal awards, private grants and contracts	19,089,264	16,610,873
PPP grant revenue	1,300,000	-
Contributions	240,879	47,312
Donated services	22,174	655,609
Interest income	2,190	7,232
Other	18,065	42,714
Net assets released from restrictions	3,799	90,894
Total support and revenues	63,396,140	61,304,462
Expenses:		
Program services:		
Africa	8,395,975	10,292,765
Americas	1,894,817	2,341,826
Center for Applied Research	2,455,925	1,490,265
Middle East and North Africa	7,495,226	12,611,219
Asia	22,189,936	13,641,463
Europe and Eurasia	12,319,245	12,906,453
Supporting services:		
General and administrative	8,004,092	8,327,901
Fundraising	16,441	79,190
Total expenses	62,771,657	61,691,082
Change in net assets without donor restrictions	624,483	(386,620)
Changes in net assets with donor restrictions:		
Contributions	73,056	113,545
Net assets released from restrictions	(3,799)	(90,894)
Change in net assets with donor restrictions	69,257	22,651
Change in net assets	693,740	(363,969)
Net assets:		
Beginning	3,480,571	3,844,540
Ending	\$ 4,174,311	\$ 3,480,571

See notes to financial statements.

International Foundation for Electoral Systems

Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services						Supporting Services		Total
	Africa	Americas	Center for Applied Research	Middle East and North Africa	Asia	Europe and Eurasia	General and Administrative	Fundraising	
Compensation	\$ 3,384,629	\$ 708,026	\$ 1,368,217	\$ 2,280,991	\$ 5,266,701	\$ 4,163,600	\$ 4,204,769	\$ 1,255	\$ 21,378,188
Consulting	825,035	570,086	204,476	2,360,950	3,069,109	1,789,070	770,984	8,700	9,598,410
Commodities	380,960	80,110	7,873	450,390	5,876,178	2,788,551	-	-	9,584,062
Subrecipients	296,880	3,225	313,629	473,899	2,555,271	542,011	-	-	4,184,915
Other benefits	636,916	133,236	257,470	429,234	991,082	783,502	791,249	236	4,022,925
Seminars and training	1,090,657	25,559	2,447	321,476	1,180,562	419,841	55,733	103	3,096,378
Travel	428,028	138,443	49,702	295,855	1,032,006	345,223	194,281	224	2,483,762
Field office expense	410,631	88,945	5,000	248,261	794,703	536,777	30,988	-	2,115,305
Occupancy	175,530	36,719	70,957	118,295	273,137	215,929	538,780	-	1,429,347
Payroll taxes	159,489	33,363	64,473	107,484	248,175	196,196	198,136	59	1,007,375
Equipment maintenance	248,584	3,540	511	140,672	241,938	74,029	183,772	-	893,046
Retirement plan	114,802	24,015	46,408	77,368	178,640	141,224	142,620	43	725,120
Other office	(4,138)	2,250	-	(31,071)	75,556	49,473	405,470	5,706	503,246
Insurance	63,988	13,386	25,867	43,123	99,569	78,715	79,493	-	404,141
Telephone	40,038	12,768	5,071	10,915	110,190	30,951	125,690	-	335,623
Legal fees	60,632	5,912	16,852	82,131	50,731	35,613	53,413	-	305,284
Depreciation	40,330	8,437	16,303	27,179	62,756	49,612	50,103	-	254,720
Accounting fees	4,434	-	-	12,972	7,244	38,995	121,700	-	185,345
Supplies	30,640	4,201	106	39,978	44,850	31,972	24,453	-	176,200
Printing and production	3,213	1,533	561	4,047	29,016	4,255	28,734	115	71,474
Postage and delivery	4,697	1,063	2	1,077	2,522	3,706	3,724	-	16,791
	<u>\$ 8,395,975</u>	<u>\$ 1,894,817</u>	<u>\$ 2,455,925</u>	<u>\$ 7,495,226</u>	<u>\$ 22,189,936</u>	<u>\$ 12,319,245</u>	<u>\$ 8,004,092</u>	<u>\$ 16,441</u>	<u>\$ 62,771,657</u>

See notes to financial statements.

International Foundation for Electoral Systems

Statement of Functional Expenses Year Ended September 30, 2019

	Program Services						Supporting Services		Total
	Africa	Americas	Center for Applied Research	Middle East and North Africa	Asia	Europe and Eurasia	General and Administrative	Fundraising	
Compensation	\$ 2,374,585	\$ 1,090,327	\$ 905,711	\$ 3,507,564	\$ 4,121,084	\$ 3,609,719	\$ 3,590,418	\$ 7,356	\$ 19,206,764
Payroll taxes	124,639	57,230	47,540	184,108	216,311	189,470	188,457	346	1,008,101
Consulting	800,000	228,775	30,289	2,988,288	1,873,247	3,104,040	1,446,159	-	10,470,798
Subrecipients	1,386,992	53,372	69,868	615,193	2,578,860	568,381	-	-	5,272,666
Seminars and training	2,521,470	79,287	7,554	1,014,278	630,784	784,405	153,973	58,069	5,249,820
Travel	998,261	256,534	75,226	887,830	1,275,937	795,848	558,196	-	4,847,832
Other benefits	553,465	254,132	211,102	817,538	960,537	841,348	836,850	1,747	4,476,719
Commodities	433,673	11,567	1,267	1,468,227	109,018	1,714,161	-	-	3,737,913
Field office expense	338,975	98,356	2,894	305,848	830,809	465,061	119	-	2,042,062
Occupancy	157,469	72,304	60,062	232,602	273,287	239,376	238,089	-	1,273,189
Other costs	263,137	25,136	20,613	98,813	137,359	111,985	431,251	4,976	1,093,270
Equipment maintenance	53,385	15,679	95	156,136	181,149	130,050	196,349	-	732,843
Retirement plan	83,179	38,193	31,726	122,867	144,358	126,445	125,769	276	672,813
Legal fees	69,345	20,479	13,046	85,580	60,521	53,031	113,322	-	415,324
Telephone	28,872	13,840	350	9,742	68,539	22,744	161,783	-	305,870
Depreciation	29,889	13,724	11,400	44,150	51,872	45,435	45,191	-	241,661
Supplies	35,774	10,172	280	22,219	49,626	55,063	54,625	1,994	229,753
Accounting fees	14,487	-	-	26,440	38,340	23,223	120,000	-	222,490
Printing and production	5,544	1,601	1,241	15,208	26,015	2,142	56,768	4,426	112,945
Postage and delivery	19,624	1,118	1	8,588	13,810	24,526	10,582	-	78,249
	<u>\$ 10,292,765</u>	<u>\$ 2,341,826</u>	<u>\$ 1,490,265</u>	<u>\$ 12,611,219</u>	<u>\$ 13,641,463</u>	<u>\$ 12,906,453</u>	<u>\$ 8,327,901</u>	<u>\$ 79,190</u>	<u>\$ 61,691,082</u>

See notes to financial statements.

International Foundation for Electoral Systems

Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 693,740	\$ (363,969)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	254,720	241,661
Changes in allowance for doubtful accounts	(48,194)	(15,270)
Deferred rent	(91,794)	(46,324)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	1,820,465	(3,243,268)
Subrecipient advances	(905,106)	2,880,093
Prepaid expenses and other current assets	(77,380)	(316,762)
Travel and other advances	116,020	(17,631)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,787,224	(1,643,378)
Accrued salaries, taxes and leave	587,533	167,309
Deferred revenue	1,668,276	4,056,673
Net cash provided by operating activities	5,805,504	1,699,134
Cash flows from investing activities:		
Purchases of property and equipment	(165,786)	-
Net cash used in investing activities	(165,786)	-
Net increase in cash and cash equivalents	5,639,718	1,699,134
Cash and cash equivalents:		
Beginning	11,569,402	9,870,268
Ending	\$ 17,209,120	\$ 11,569,402
Cash and cash equivalents – unrestricted	\$ 16,378,564	\$ 10,583,163
Cash and cash equivalents – restricted	830,556	986,239
	\$ 17,209,120	\$ 11,569,402

See notes to financial statements.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

A summary of IFES's significant accounting policies follows:

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

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

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

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

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

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

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

IFES had approximately \$1.3 million cash and cash equivalents held at financial institutions in foreign countries at September 30, 2020 and 2019.

International Foundation for Electoral Systems

Notes to Financial Statements

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

Restricted cash and cash equivalents: At September 30, 2020 and 2019, IFES has restricted balances of cash and cash equivalents required as collateral for a letter of credit required under IFES's home office lease (see Note 6).

Grants 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.

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.

International Foundation for Electoral Systems

Notes to Financial Statements

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

Revenue recognition: 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.

Contract revenue under exchange agreements 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.

Certain grant agreements are considered conditional contributions. Revenue and expenses are recognized in accordance with the authoritative guidance issued by the FASB whereby revenue is generally recognized as the related qualifying expenses are incurred and conditions met. Any excess of cash advances received over reimbursable expenditures is recorded as 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 62% and 65% of total revenues without donor restrictions for the years ended September 30, 2020 and 2019, respectively.

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

IFES received conditional federal awards that have not been recognized as revenue at the respective statement of financial position date, as remaining related expenditures have not yet occurred. As of September 30, 2020, the amount of unrecognized conditional federal awards and non-federal awards amounted to \$117,145,449 and \$25,536,955, respectively.

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, 2020 and 2019, IFES recorded donated services of \$22,174 and \$655,609, respectively, which are included in consulting, legal fees and travel in the accompanying statements of functional expenses.

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.

International Foundation for Electoral Systems

Notes to Financial Statements

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

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

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

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, IFES recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses 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 2017.

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.

Adopted accounting pronouncement: In June 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of the ASU is to clarify and improve the scope and accounting guidance for contributions received and made. The amendments in the ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this ASU likely will result in more grants and contracted being accounted for as either contributions or conditional contributions than observed in practice under current guidance. The amendments in this 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 a 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. IFES adopted this ASU as a resource recipient as of October 1, 2019 on a modified prospective method. The adoption added additional disclosures.

International Foundation for Electoral Systems

Notes to Financial Statements

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

Upcoming accounting pronouncements: In February 2016, the FASB issued 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, 2021, including interim periods within those fiscal years. IFES is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

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. 2020-05, will be effective for annual reporting periods beginning after December 15, 2019 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 July 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for contributed Nonfinancial Assets*. The ASU will improve transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholder' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. This ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual period beginning after June 15, 2022. Early adoption is permitted. IFES is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Subsequent events: IFES has evaluated its September 30, 2020, financial statements for subsequent events through May 20, 2021, the date the financial statements were available to be issued.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 2. Grants and Contract Receivables

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

	2020	2019
Unbilled receivables	\$ 4,162,368	\$ 5,677,314
Billed receivables	-	408,332
Other receivables	124,783	21,970
	<u>4,287,151</u>	<u>6,107,616</u>
Less allowance for doubtful accounts	(2,248)	(50,442)
	<u><u>\$ 4,284,903</u></u>	<u><u>\$ 6,057,174</u></u>

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

Note 3. Property and Equipment

Property and equipment consists of the following at September 30:

	2020	2019
Leasehold improvements	\$ 3,303,466	\$ 3,303,466
Software	1,882,918	1,717,132
Furniture and equipment	71,930	71,930
	<u>5,258,314</u>	<u>5,092,528</u>
Less accumulated depreciation and amortization	(2,889,212)	(2,634,492)
	<u><u>\$ 2,369,102</u></u>	<u><u>\$ 2,458,036</u></u>

Note 4. Benefit Plans

401(k) retirement plan: IFES's employees are eligible immediately upon hire to participate in IFES's 401(k) retirement plan (the Plan) in which employees may make voluntary, tax-deferred contributions within specified limits. IFES matches employee contributions dollar for dollar up to a maximum of 6% of each eligible employee's annual salary. The Plan was established under the provisions of Internal Revenue Code (IRC) Section 401(k) and has received a favorable determination as to its tax status from the IRS. IFES recorded contributions to the Plan of \$653,558 and \$602,733 for the years ended September 30, 2020 and 2019, 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 \$71,561 and \$70,022 for the years ended September 30, 2020 and 2019, respectively.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 5. Net Assets With Donor Restrictions

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

Note 6. Commitments and Contingencies

Leases: During October 2009, IFES leased office space for its home office in Washington, D.C. under the terms of a non-cancellable 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 non-cancellable 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 statements of financial position.

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 statements of financial position and being amortized over the new lease term. In connection with the new lease, IFES provided the landlord with a letter of credit in the amount of \$830,466.

As of September 30, 2020, the following is a schedule by year of the future minimum lease payments required under the new operating office lease:

Years ending September 30:	
2021	\$ 1,898,185
2022	1,945,982
2023	1,994,987
2024	2,045,232
2025	2,096,748
2026-2031	11,501,555
	<u>\$ 21,482,689</u>

Rent expense related to non-cancellable operating leases aggregated \$1,109,657 and \$1,273,189 for the years ended September 30, 2020 and 2019, 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 \$974,882 and \$955,970 for the years ended September 30, 2020 and 2019, respectively.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 6. Commitments and Contingencies (Continued)

As of September 30, 2020, the following is a schedule by year of the future minimum lease payments required under the operating foreign office leases:

Years ending September 30:	
2021	\$ 437,719
2022	51,571
	<u>\$ 489,290</u>

Letters of credit: At September 30, 2020 and 2019, IFES had outstanding letters of credit totaling \$830,466 and \$986,239, respectively, related to security deposit requirements for its non-cancellable operating office leases. These letters of credit are fully secured by restricted certificates of deposit and expire in July 17, 2021.

Line of credit: IFES obtained a revolving line of credit with the bank for \$650,000 in February 2019. Interest accrues at a variable rate of 2.2% above the 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 at September 30, 2020.

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.

Paycheck Protection Program: In April 2020, IFES was granted a loan of \$1,300,000 under the federal Paycheck Protection Program administered by a financial institution that is a Small Business Administrations (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. In accordance with guidance from ASC 958-605, revenue recognition allows for revenue recognition on conditional contributions when conditions are substantially met. Accordingly, IFES recognized \$1,300,000 as contribution revenue for the year ended September 30, 2020. IFES believed it had met the PPP's eligibility criteria for forgiveness as all expenses were spent on qualified expenses and other program stipulations were met. As such on March 5, 2021, IFES received formal forgiveness from the SBA for the full amount of the loan.

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.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 6. Commitments and Contingencies (Continued)

Egypt tax contingency: During the fiscal year ended September 30, 2019, IFES began receiving tax bills from the Egyptian tax office from 2010 after IFES registered in Egypt to begin work on an USAID grant program that extended through 2019. IFES began the process of submitting necessary documentation and appealing the taxes, however, as of September 30, 2019, the estimated amount of taxes that may needed to be paid was \$500,000 of which \$350,000 was recorded in accounts payable and accrued expenses on the statements of financial position at September 30, 2019 with the expense charged to the grant program and included on the schedule of federal expenditures for the year ended September 30, 2019. In March 2021, IFES received a letter from the Ministry of International Cooperation of Egypt noting IFES is subject to an exemption related to these taxes. Therefore, the tax accrual to the grant program of \$350,000 was reversed as of September 30, 2020.

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

Note 7. Liquidity

IFES regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments. As of September 30, 2020 and 2019, the following financial assets are available to meet annual operating needs for the next fiscal year:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 16,378,564	\$ 10,583,163
Grants and contract receivables	4,284,903	6,057,174
Subrecipient advances	1,024,788	119,682
Travel and other advances	157,140	273,160
Restricted cash and cash equivalents	830,556	986,239
Total financial assets	<u>22,675,951</u>	<u>18,019,418</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	427,693	358,436
Restricted cash and cash equivalents	830,556	986,239
	<u>1,258,249</u>	<u>1,344,675</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 21,417,702</u>	<u>\$ 16,674,743</u>



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
International Foundation for Electoral Systems

We have audited the financial statements of International Foundation for Electoral Systems (IFES) as of and for the years ended September 30, 2020 and 2019, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

McLean, Virginia
May 20, 2021

International Foundation for Electoral Systems

Schedule of Expenditures of Non USG Awards Year Ended September 30, 2020

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditure
Advancing the Electoral Process and Democracy (AEPD)	Department of Foreign Affairs, Trade and Development (DFATD) -Canada	7060661	05590	06/29/14	03/31/20	\$ -	\$ 140,121
Bougainville Electoral Support Program	Department of Foreign Affairs and Trade (DFAT) - Australia / Abt Associates	PGF-2016-0010	05640	12/01/16	01/31/22	969,173	1,394,706
Sustainable and Inclusive Approaches to Elections in Myanmar	Department of Foreign Affairs, Trade and Development (DFATD) -Canada / Danish Government (DANIDA) / Department of Foreign Affairs and Trade (DFAT) -Australia / Department for International Development (DFID) -UK / Swiss Federal Department for Foreign Affairs (SFDFA)	P-008930-001 / 73891 / 203454-101 / 81062619	05664	10/31/17	08/31/21	8,324,921	7,571,227
Electoral and Legal Enhancement through Civic Engagement and Technical Assistance (ELECT)	Department for International Development (DFID) - UK	300476-101	05666	08/01/17	03/31/21	1,603,338	1,790,970
Democratically Engaged, Peaceful and Inclusive Citizens (DEPIC) in Bangladesh	Department for International Development (DFID) - UK	203487	05667	09/01/17	03/31/21	1,083,556	1,146,065
Support for Development of the ASEAN Master Plan on Disability	Department of Foreign Affairs and Trade (DFAT) - Australia	74245	05671	03/21/18	12/31/21	803,810	339,265
Indonesia Democratic Governance Reform	Department of Foreign Affairs and Trade (DFAT) - Australia	74291	05672	03/15/18	12/31/20	492,492	518,195
Local Level Stabilization and Democratization in Lybia	Federal Republic of Germany	German LLSDL	05677	09/01/18	01/31/20	132,975	185,167
Dialogue on Chinese Influence in Elections in Asia	The Taiwan Foundation for Democracy		05679	11/01/19	12/31/19	-	20,261
Supporting Voter Registration in Tunisia	Federal Republic of Germany	TP-P-14_18- German FFO_VR Support	05680	10/15/18	07/15/20	635,262	522,946
Supporting Democratic Gains in Tunisia - Phase II	Swiss Agency for Development and Cooperation (SDC)	81057805	05681	12/01/18	02/29/20	40,000	144,777
She Leads - Women Leadership Program	Department of Foreign Affairs and Trade (DFAT) - Australia / Swiss Federal Department for Foreign Affairs (SFDFA)	75066 / 81058384	05682	01/01/19	12/31/22	638,630	214,098

(Continued)

International Foundation for Electoral Systems

Schedule of Expenditures of Non USG Awards Year Ended September 30, 2020

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditure
Participation of Women in Elections and Registration (POWER) in Pakistan	Global Affairs Canada (GAC)	P006193: Purchase Order 7404861	05684	03/29/19	03/31/22	\$ 994,979	\$ 1,027,155
Strengthening Election Administration in Sri Lanka	Department of Foreign Affairs and Trade (DFAT) - Australia	75173	05685	03/28/19	07/31/21	-	54,905
Ensuring Meaningful Engagement Through Reform for Gender Equality (EMERGE)	Global Affairs Canada (GAC)	P-006444 Purchase Order 7404677	05686	03/29/19	03/29/24	1,084,062	1,040,957
Inclusive Electoral Reform in Malaysia	Federal Republic of Germany		05688	06/01/19	12/31/19	261,988	234,888
Support to Electoral Reforms in North Macedonia - Main Phase	Swiss Agency for Development and Cooperation (SDC)	81060732	05699	08/09/19	06/30/23	553,039	807,774
Election Integrity Strategy	Facebook, Inc.	INB0527043	05700	06/24/19	12/31/20	247,500	258,954
Building Skills to Promote Pluralism, Safety and Integrity on Social Media	Facebook, Inc.	INB0745368	05701	07/15/19	04/30/20	249,194	249,254
Inbound Data License & Services Agreement	Facebook, Inc.	INB0788144	05702	12/06/19	12/31/20	135,000	123,115
Countering COVID-related Disinformation and Hate Speech in Southeast Asia	Department of Foreign Affairs and Trade (DFAT) - Australia	D20/594990	05907	05/22/20	05/30/21	277,143	41,811
Strengthening Advances in Governance and Elections (SAGE)	Department of Foreign Affairs and Trade (DFAT) - Australia	76032	05908	06/01/20	06/30/24	1,424,323	214,194
Total Non USG Awards						<u>\$ 19,951,385</u>	18,040,805
Service contracts, administration award and final adjustments							<u>1,048,459</u>
							<u>\$ 19,089,264</u>