

International Foundation for Electoral Systems

Financial Report
September 30, 2021

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5-6
Statements of cash flows	7
Notes to financial statements	8-15
<hr/>	
Independent auditor's report on the supplementary information	16
<hr/>	
Supplementary information	
Schedule of expenditures on Non USG awards	17-18



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, 2021 and 2020, 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, 2021 and 2020, 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 6, 2022, 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 6, 2022

International Foundation for Electoral Systems

Statements of Financial Position September 30, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 19,881,594	\$ 16,378,564
Grants and contract receivables, net	5,046,005	4,284,903
Subrecipient advances	581,940	1,024,788
Prepaid expenses and other current assets	1,298,927	1,041,909
Travel and other advances	85,306	157,140
Restricted cash and cash equivalents	830,640	830,556
Property and equipment, net	2,147,747	2,369,102
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Total assets	\$ 29,872,159	\$ 26,086,962
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,038,543	\$ 5,969,710
Accrued salaries, taxes and leave	3,331,150	2,549,919
Deferred revenue	13,381,088	9,654,715
Deferred rent	3,599,896	3,738,307
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Total liabilities	25,350,677	21,912,651
Commitments and contingencies (Note 6)		
Net assets:		
Without donor restrictions	4,090,795	3,746,618
With donor restrictions	430,687	427,693
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Total net assets	4,521,482	4,174,311
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Total liabilities and net assets	\$ 29,872,159	\$ 26,086,962

See notes to financial statements.

International Foundation for Electoral Systems

Statements of Activities

Years Ended September 30, 2021 and 2020

	2021	2020
Changes in net assets without donor restrictions:		
Support and revenues:		
Federal grants and co-op agreements	\$ 54,416,450	\$ 42,719,769
Non-federal awards, private grants and contracts	21,727,048	19,089,264
PPP grant revenue	-	1,300,000
Contributions	225,600	240,879
Other	208	42,429
Net assets released from restrictions	4,506	3,799
Total support and revenues	76,373,812	63,396,140
Expenses:		
Program services:		
Africa	16,370,389	8,395,975
Americas	3,318,370	1,894,817
Asia	18,710,211	22,189,936
Middle East and North Africa	13,705,409	7,495,226
Europe and Eurasia	12,107,446	12,319,245
Center for Applied Research	3,127,550	2,455,925
Supporting services:		
General and administrative	8,683,375	8,004,092
Fundraising	6,885	16,441
Total expenses	76,029,635	62,771,657
Change in net assets without donor restrictions	344,177	624,483
Changes in net assets with donor restrictions:		
Contributions	7,500	73,056
Net assets released from restrictions	(4,506)	(3,799)
Change in net assets with donor restrictions	2,994	69,257
Change in net assets	347,171	693,740
Net assets:		
Beginning	4,174,311	3,480,571
Ending	\$ 4,521,482	\$ 4,174,311

See notes to financial statements.

International Foundation for Electoral Systems

Statement of Functional Expenses
Year Ended September 30, 2021

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

See notes to financial statements.

International Foundation for Electoral Systems

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
Payroll taxes	159,489	33,363	64,473	107,484	248,175	196,196	198,136	59	1,007,375
Retirement plan	114,802	24,015	46,408	77,368	178,640	141,224	142,620	43	725,120
Other benefits	636,916	133,236	257,470	429,234	991,082	783,502	791,249	236	4,022,925
	4,295,836	898,640	1,736,568	2,895,077	6,684,598	5,284,522	5,336,774	1,593	27,133,608
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
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
Equipment maintenance	248,584	3,540	511	140,672	241,938	74,029	183,772	-	893,046
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

Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 347,171	\$ 693,740
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	313,389	254,720
Changes in allowance for doubtful accounts	108,753	(48,194)
Deferred rent	(138,411)	(91,794)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants and contracts receivable	(869,855)	1,820,465
Subrecipient advances	442,848	(905,106)
Prepaid expenses and other current assets	(257,018)	(77,380)
Travel and other advances	71,834	116,020
Increase (decrease) in:		
Accounts payable and accrued expenses	(931,167)	1,787,224
Accrued salaries, taxes and leave	781,231	587,533
Deferred revenue	3,726,373	1,668,276
Net cash provided by operating activities	3,595,148	5,805,504
Cash flows from investing activities:		
Purchases of property and equipment	(92,034)	(165,786)
Net cash used in investing activities	(92,034)	(165,786)
Net increase in cash and cash equivalents	3,503,114	5,639,718
Cash and cash equivalents:		
Beginning	17,209,120	11,569,402
Ending	\$ 20,712,234	\$ 17,209,120
Cash and cash equivalents—unrestricted	\$ 19,881,594	\$ 16,378,564
Cash and cash equivalents—restricted	830,640	830,556
	\$ 20,712,234	\$ 17,209,120

See notes to financial statements.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

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

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

A summary of IFES's significant accounting policies follows:

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

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

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

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

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

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

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

IFES had approximately \$1.1 million and \$1.3 million cash and cash equivalents held at financial institutions in foreign countries at September 30, 2021 and 2020.

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, 2021 and 2020, 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. For grants that are recognized as unconditional promises to give, the receivable is recorded as support in the period during which the promise is made to IFES. For grants determined to be conditional awards or grants, recognition is made as conditions are met or revenue earned, as applicable. Billed amounts represent invoices that have been prepared and sent to the funder. Unbilled amounts represent recoverable costs incurred and where applicable, accrued fixed fees related to 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. A subrecipient advance is recorded if the total amount of expenses incurred to date is less than the amount paid to the subgrantee. Subrecipient expenses are recognized when the subrecipients provide the proper support for their activities.

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

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

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

Revenue recognition: IFES receives grants, 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.

International Foundation for Electoral Systems

Notes to Financial Statements

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

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 66% and 62% of total revenues without donor restrictions for the years ended September 30, 2021 and 2020, 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, 2021, the amount of unrecognized conditional federal awards and non-federal awards amounted to \$124,173,080 and \$21,364,955, 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, 2021 and 2020, IFES recorded donated services of \$0 and \$22,174, 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.

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.

International Foundation for Electoral Systems

Notes to Financial Statements

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

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 2018.

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 May 2014, the FASB issued Accounting Standards Update (ASU) 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 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 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. IFES adopted this ASU as of October 1, 2019 on a modified prospective method. The adoption produced limited impact 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*. 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 contracts 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 the resource provider to annual periods beginning after December 15, 2019. IFES adopted this ASU as a resource provider as of October 1, 2020, and the adoption has limited impact on the financial statements.

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

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. 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, 2021, financial statements for subsequent events through June 6, 2022, the date the financial statements were available to be issued.

Note 2. Grants and Contract Receivables

Grants and contract receivables consist of the following at September 30, 2021 and 2020:

	2021	2020
Unbilled receivables	\$ 5,151,623	\$ 4,162,368
Other receivables	5,383	124,783
	<u>5,157,006</u>	<u>4,287,151</u>
Less allowance for doubtful accounts	(111,001)	(2,248)
	<u>\$ 5,046,005</u>	<u>\$ 4,284,903</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, 2021 and 2020:

	2021	2020
Leasehold improvements	\$ 3,303,466	\$ 3,303,466
Software	1,991,653	1,882,918
Furniture and equipment	71,930	71,930
	<u>5,367,049</u>	<u>5,258,314</u>
Less accumulated depreciation and amortization	(3,219,302)	(2,889,212)
	<u>\$ 2,147,747</u>	<u>\$ 2,369,102</u>

International Foundation for Electoral Systems

Notes to Financial Statements

Note 4. Benefit Plans

401(k) retirement plan: IFES's employees are eligible immediately upon hire to participate in IFES's 401(k) retirement plan (the Plan) in which employees may make voluntary, tax-deferred contributions within specified limits. IFES matches employee contributions dollar for dollar up to a maximum of 6% of each eligible employee's annual salary. The Plan was established under the provisions of IRC Section 401(k) and has received a favorable determination as to its tax status from the IRS. IFES recorded contributions to the Plan of \$847,096 and \$653,558 for the years ended September 30, 2021 and 2020, respectively.

TCN retirement savings plan: IFES established a retirement savings plan (TCN plan) for third country nationals (TCNs) working outside the country, who are unable to participate in the IFES 401(k) Retirement Plan. TCNs are eligible to participate in the TCN plan one year after date of hire. Employees must have their own registered retirement or savings account through a financial institution or participate in a government-sponsored, employee-controlled retirement savings program in order to participate in the TCN plan. IFES matches employee contributions on a tenure based matching schedule in accordance with the requirements of the TCN plan and up to a maximum of 6% of each eligible employee's annual salary. IFES recorded contributions to the TCN plan of \$61,490 and \$71,561 for the years ended September 30, 2021 and 2020, respectively.

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 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 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.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 6. Commitments and Contingencies (Continued)

As of September 30, 2021, the following is a schedule by year of the future minimum lease payments required under the new operating office lease:

Years ending September 30:	
2022	\$ 1,945,982
2023	1,994,987
2024	2,045,232
2025	2,096,748
2026	2,149,567
2027-2031	9,351,988
	<u>\$ 19,584,504</u>

Rent expense related to noncancellable operating leases aggregated \$1,241,341 and \$1,109,657 for the years ended September 30, 2021 and 2020, respectively.

IFES also leases office space, corporate and group housing and furniture and equipment under cancellable and/or month-to-month operating leases that are directly reimbursable under various grants. Rent expense related to such cancellable operating leases within field office expenses aggregated \$1,047,432 and \$974,882 for the years ended September 30, 2021 and 2020, respectively.

As of September 30, 2021, the following is a schedule by year of the future minimum lease payments required under the operating foreign office leases:

Years ending September 30:	
2022	\$ 691,200
2023	46,167
	<u>\$ 737,367</u>

Letters of credit: At September 30, 2021 and 2020, IFES had outstanding letters of credit totaling \$830,466, respectively, related to security deposit requirements for its noncancellable operating office leases. These letters of credit are fully secured by restricted certificates of deposit and renew automatically until cancelled.

Line of credit: IFES obtained a revolving line of credit with the bank for \$650,000 in February 2019. Interest accrues at a variable rate of 2.2% above the 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, 2021.

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.

International Foundation for Electoral Systems

Notes to Financial Statements

Note 6. Commitments and Contingencies (Continued)

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

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

Note 7. Liquidity

IFES regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments. As of September 30, 2021 and 2020, the following financial assets are available to meet annual operating needs for the next fiscal year:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 19,881,594	\$ 16,378,564
Grants and contract receivables	5,046,005	4,284,903
Subrecipient advances	581,940	1,024,788
Travel and other advances	85,306	157,140
Restricted cash and cash equivalents	830,640	830,556
Total financial assets	<u>26,425,485</u>	<u>22,675,951</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	430,687	427,693
Restricted cash and cash equivalents	830,640	830,556
	<u>1,261,327</u>	<u>1,258,249</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 25,164,158</u>	<u>\$ 21,417,702</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, 2021 and 2020, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

McLean, Virginia
June 6, 2022

International Foundation for Electoral Systems

Schedule of Expenditures of Non USG Awards Year Ended September 30, 2021

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditure
Kenya Electoral System Support	Department of Foreign Affairs, Trade and Development (DFATD) -Canada	7060471	05560	04/07/14	12/31/21	\$ -	\$ 73
Bougainville Electoral Support Program	Department of Foreign Affairs and Trade (DFAT)—Australia / Abt Associates	PGF-2016-0010	05640	12/01/16	01/31/22	1,799,965	1,146,298
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	3,387,853	6,037,462
Electoral and Legal Enhancement through Civic Engagement and Technical Assistance (ELECT) Democratically Engaged, Peaceful and Inclusive Citizens (DEPIC) in Bangladesh	Department for International Development (DFID)—UK	300476-101	05666	08/01/17	03/31/21	988,305	857,254
Support for Development of the ASEAN Master Plan on Disability	Department for International Development (DFID)—UK	203487	05667	09/01/17	03/31/21	961,552	835,343
Indonesia Democratic Governance Reform	Department of Foreign Affairs and Trade (DFAT)—Australia	74245	05671	03/21/18	12/31/21	-	357,000
Dialogue on Chinese Influence in Elections in Asia	Department of Foreign Affairs and Trade (DFAT)—Australia	74291	05672	03/15/18	12/31/20	-	217,770
Supporting Voter Registration in Tunisia	The Taiwan Foundation for Democracy	TP-P-14_18—	05679	11/01/19	12/31/19	20,261	-
Supporting Democratic Gains in Tunisia—Phase II	Federal Republic of Germany	05680	05680	10/15/18	07/15/20	(2,141)	(320)
She Leads—Women Leadership Program	Swiss Agency for Development and Cooperation (SDC)	81057805	05681	12/01/18	02/29/20	-	(162)
Supporting Democratic Gains in Tunisia III	Department of Foreign Affairs and Trade (DFAT)—Australia/Swiss Federal Department for Foreign Affairs (SFDFA)	75066 / 81058384	05682	01/01/19	12/31/22	1,954,119	700,503
Technical Assistance on Electoral Issues for the tilaf Elections Technical Group	Swiss Federal Department for Foreign Affairs (SFDFA)	81066710	05692	11/01/20	04/30/22	500,000	317,468
Kenya Elections Support Programme	French Ministry of European and Foreign Affairs	209SYR0117	05693	11/03/20	04/30/21	130,423	101,557
Strengthening Trust and Resilience in Democracy and and Elections (STRIDE)	Foreign, Commonwealth and Development Office (FCDO)—UK	300657	05694	12/02/20	03/31/23	2,786,724	2,268,897
Participation of Women in Elections and Registration (POWER) in Pakistan	Department of Foreign Affairs and Trade (DFAT)—Australia	76576	05695	02/01/21	12/31/22	936,872	405,491
Strengthening Election Administration in Sri Lanka	P006193: Purchase	Order 7404861	05684	03/29/19	03/31/22	1,445,799	1,287,026
Ensuring Meaningful Engagement Through Reform for Gender Equality (EMERGE)	Global Affairs Canada (GAC)	75173	05685	03/28/19	07/31/21	-	21,352
Support to Electoral Reforms in North Macedonia—Main Phase	Department of Foreign Affairs and Trade (DFAT) -Australia	P-006444 Purchase	05686	03/29/19	03/29/24	1,897,679	1,522,950
Strengthening Advances in Governance and Elections (SAGE)	Swiss Agency for Development and Cooperation (SDC)	81060732	05699	08/09/19	06/30/23	2,200,549	1,446,377
FCDO TCI	Department of Foreign Affairs and Trade (DFAT)—Australia	76032	05908	06/01/20	06/30/24	1,580,831	1,650,680
SIDA Framework Agreement for Democracy and Human Rights Targeted Election Assistance Program 2020	Foreign, Commonwealth and Development Office (FCDO)—UK	-	05696	02/09/21	03/31/21	57,240	55,169
Transitional Puntland Election Commission (TPEC)'s biometric voter registration system	Swedish International Development Cooperation Agency (SIDA)	18/001283	05697	03/25/19	03/25/21	10,704	6,815
Crisis Management and Response Planning	Foreign, Commonwealth and Development Office (FCDO)—UK	43899	05909	09/28/20	01/31/21	383,470	380,133
	Adam Smith International	SSFPL-031-C01	05910	11/11/20	12/30/20	16,518	11,775
	Foreign, Commonwealth and Development Office (FCDO)—UK	-	05911	01/01/21	03/31/21	12,263	12,638

(Continued)

International Foundation for Electoral Systems

Schedule of Expenditures of Non USG Awards Year Ended September 30, 2021

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditure
Strengthening Resilience to Disinformation and Building Trust in Democracy and Elections (Indonesia)	Department of Foreign Affairs and Trade (DFAT)—Australia	47 065 634 525	05912	04/23/21	12/31/21	\$ 38,539	\$ 9,356
Strengthening Digital Media Literacy	Department of Foreign Affairs and Trade (DFAT)—Australia	76867	05913	05/31/21	04/30/22	307,235	54,760
Ukraine and Meaningful Engagement (UADEM)	Foreign, Commonwealth and Development Office (FCDO)—UK	300802-109	05914	06/01/21	03/31/22	416,173	494,552
Election Integrity Strategy	Facebook, Inc.	NB0527043-INB114477	05700	06/24/19	03/30/22	57,494	169,023
Inbound Data License & Services Agreement	Facebook, Inc.	INB0788144	05702	12/06/19	12/31/21	112,500	84,930
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	-	232,159
Assessment of Puntland voter registration and pilot elections	Adam Smith International	SSFMR-037-C01-01	05915	08/26/21	11/30/21	-	14,045
Total Non USG Awards						<u>\$ 22,000,927</u>	20,698,374
Service contracts, administration award and final adjustments							<u>1,028,674</u>
							<u>\$ 21,727,048</u>