

# **International Foundation for Electoral Systems**

Financial Report  
September 30, 2023

## Contents

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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-US government awards	17-18

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
International Foundation for Electoral Systems

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of International Foundation for Electoral Systems (IFES), which comprise the statements of financial position as of September 30, 2023 and 2022; the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IFES as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issues by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of IFES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Emphasis of Matter**

As discussed in Note 1 of the financial statements, IFES adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and all subsequent ASUs that modified Accounting Standards Codification 842. IFES has applied the modified retrospective method to adopt the new standard in 2023. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about IFES's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of IFES's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about IFES's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024, 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 IFES's internal control over financial reporting and compliance.

***RSM US LLP***

McLean, Virginia  
March 12, 2024

**International Foundation for Electoral Systems**

**Statements of Financial Position  
September 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 15,576,592	\$ 13,671,118
Grants receivables, net	4,628,220	8,516,058
Subrecipient advances	720,284	816,966
Prepaid expenses and other current assets	1,461,111	1,062,713
Restricted cash and cash equivalents	830,808	830,724
Property and equipment, net	2,274,505	2,174,910
Operating lease right-of-use assets, net	11,731,494	-
	<u>37,223,014</u>	<u>27,072,489</u>
<b>Total assets</b>	<b>\$ 37,223,014</b>	<b>\$ 27,072,489</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,655,696	\$ 5,680,899
Accrued salaries, taxes and leave	4,036,495	3,682,198
Refundable advances	11,108,233	9,439,945
Operating lease liabilities, net	14,813,399	-
Deferred rent	-	3,413,687
	<u>33,613,823</u>	<u>22,216,729</u>
<b>Total liabilities</b>	<b>33,613,823</b>	<b>22,216,729</b>
Commitments and contingencies (Note 7)		
Net assets:		
Without donor restrictions	3,181,868	4,444,169
With donor restrictions	427,323	411,591
	<u>3,609,191</u>	<u>4,855,760</u>
<b>Total net assets</b>	<b>3,609,191</b>	<b>4,855,760</b>
	<u>\$ 37,223,014</u>	<u>\$ 27,072,489</u>
<b>Total liabilities and net assets</b>	<b>\$ 37,223,014</b>	<b>\$ 27,072,489</b>

See notes to financial statements.

**International Foundation for Electoral Systems**

**Statements of Activities**

**Years Ended September 30, 2023 and 2022**

	2023	2022
Changes in net assets without donor restrictions:		
Support and revenues:		
Federal grants and co-op agreements	\$ 58,684,285	\$ 59,131,847
Non-federal awards and private grants	18,906,662	26,937,564
Contributions	165,796	570,985
Other	139,232	88,540
Net assets released from restrictions	52,334	19,096
<b>Total support and revenues</b>	<b>77,948,309</b>	<b>86,748,032</b>
Expenses:		
Program services:		
Africa	13,181,049	15,562,261
Americas	5,621,662	5,323,958
Asia	20,140,431	21,641,517
Middle East and North Africa	8,729,674	15,461,554
Europe and Eurasia	15,032,730	13,524,987
Center for Applied Research	6,160,318	4,476,387
Supporting services:		
General and administrative	10,328,481	10,269,658
Fundraising	16,265	134,336
<b>Total expenses</b>	<b>79,210,610</b>	<b>86,394,658</b>
<b>Change in net assets without donor restrictions</b>	<b>(1,262,301)</b>	<b>353,374</b>
Changes in net assets with donor restrictions:		
Contributions	68,066	-
Net assets released from restrictions	(52,334)	(19,096)
<b>Change in net assets with donor restrictions</b>	<b>15,732</b>	<b>(19,096)</b>
<b>Change in net assets</b>	<b>(1,246,569)</b>	<b>334,278</b>
Net assets:		
Beginning	4,855,760	4,521,482
Ending	<b>\$ 3,609,191</b>	<b>\$ 4,855,760</b>

See notes to financial statements.

International Foundation for Electoral Systems

**Statement of Functional Expenses**  
**Year Ended September 30, 2023**

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

See notes to financial statements.

## International Foundation for Electoral Systems

### Statement of Functional Expenses Year Ended September 30, 2022

	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	\$ 4,727,644	\$ 2,169,085	\$ 6,200,365	\$ 4,898,670	\$ 5,786,440	\$ 2,302,534	\$ 5,197,984	\$ -	\$ 31,282,722
Payroll taxes	216,821	99,480	284,364	224,665	265,380	105,600	238,392	-	1,434,702
Retirement plan	172,114	78,968	225,730	178,340	210,661	83,826	189,237	-	1,138,876
Other benefits	981,481	450,312	1,287,224	1,016,986	1,201,291	478,017	1,079,126	-	6,494,437
	6,098,060	2,797,845	7,997,683	6,318,661	7,463,772	2,969,977	6,704,739	-	40,350,737
Consulting	1,747,448	1,057,235	4,242,582	3,664,259	2,148,784	627,090	1,373,018	26,228	14,886,644
Subrecipients	2,306,684	285,702	3,360,355	1,869,275	863,804	444,098	-	-	9,129,918
Seminars and training	2,793,802	243,358	1,406,620	907,061	695,489	19,837	165,641	86,836	6,318,644
Commodities	256,274	47,856	329,100	814,721	221,930	42	-	-	1,669,923
Field office expense	539,459	217,426	1,003,269	558,924	577,124	61,476	1,834	-	2,959,512
Travel	889,267	351,531	1,802,029	678,507	710,118	80,507	301,260	268	4,813,487
Equipment maintenance	301,084	108,832	568,943	152,359	109,853	85,639	353,731	-	1,680,441
Occupancy	195,487	89,691	256,383	202,559	239,268	95,209	214,935	-	1,293,532
Other office	45,133	301	2,780	1,367	135,866	329	598,664	18,913	803,353
Insurance	74,409	34,139	97,588	77,101	91,073	36,240	81,812	-	492,362
Telephone	80,746	18,573	277,745	21,737	39,314	506	69,934	-	508,555
Depreciation	44,477	20,406	58,332	46,086	54,438	21,662	48,902	-	294,303
Legal fees	88,353	26,381	84,146	97,337	77,206	33,628	63,814	-	470,865
Accounting fees	11,218	-	42,345	9,784	32,322	-	153,422	-	249,091
Supplies	50,673	18,834	95,114	21,510	51,848	147	71,965	-	310,091
Printing and production	36,917	5,098	7,000	19,777	8,355	-	57,533	2,091	136,771
Postage and delivery	2,770	750	9,503	529	4,423	-	8,454	-	26,429
	<u>\$ 15,562,261</u>	<u>\$ 5,323,958</u>	<u>\$ 21,641,517</u>	<u>\$ 15,461,554</u>	<u>\$ 13,524,987</u>	<u>\$ 4,476,387</u>	<u>\$ 10,269,658</u>	<u>\$ 134,336</u>	<u>\$ 86,394,658</u>

See notes to financial statements.



**International Foundation for Electoral Systems**

**Statements of Cash Flows**  
**Years Ended September 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (1,246,569)	\$ 334,278
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	382,846	294,303
Changes in allowance for doubtful accounts	(500)	(61,001)
Deferred rent	-	(186,209)
Amortization of right-of-use assets	1,513,501	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Grants receivable	3,888,338	(3,409,052)
Subrecipient advances	96,682	(235,026)
Prepaid expenses and other current assets	(398,398)	321,520
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,025,203)	642,356
Accrued salaries, taxes and leave	354,297	351,048
Refundable advances	1,668,288	(3,941,143)
Lease liabilities	(1,845,283)	-
<b>Net cash provided by (used in) operating activities</b>	<b>2,387,999</b>	<b>(5,888,926)</b>
Cash flows from investing activities:		
Purchases of property and equipment	(482,441)	(321,466)
<b>Net cash used in investing activities</b>	<b>(482,441)</b>	<b>(321,466)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,905,558</b>	<b>(6,210,392)</b>
Cash and cash equivalents:		
Beginning	14,501,842	20,712,234
Ending	<u>\$ 16,407,400</u>	<u>\$ 14,501,842</u>
Cash and cash equivalents—unrestricted	\$ 15,576,592	\$ 13,671,118
Cash and cash equivalents—restricted	830,808	830,724
	<u>\$ 16,407,400</u>	<u>\$ 14,501,842</u>
Supplemental disclosures of cash flow information		
Addition to right of use asset for operating lease as of October 1, 2022	<u>\$ 13,244,994</u>	
Addition to lease liabilities for operating lease as of October 1, 2022	<u>\$ 16,658,681</u>	
Cash paid for amounts included in measurement of operating lease liabilities	<u>\$ 2,138,908</u>	

See notes to financial statements.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

**Nature of activities:** International Foundation for Electoral Systems (IFES) was established in 1987 as a nonprofit corporation in the District of Columbia. IFES supports the building of democratic societies around the world and provides technical assistance in the areas of election administration, civil society development, good governance and the rule of law. IFES maintains field offices in many countries, 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:** The functional currency of IFES is the U.S. Dollar. The financial statements and transactions of IFES' foreign operations are generally maintained in the relevant currency. Where local currencies are used, assets and liabilities are translated into U.S. Dollars at the statement of financial position date at the exchange rate in effect at year-end.

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

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

**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 \$1.2 million cash and cash equivalents held at financial institutions in foreign countries at September 30, 2023 and 2022.

**Restricted cash and cash equivalents:** At September 30, 2023 and 2022, 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 receivables:** Grants 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 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 receivables are considered past due if the invoice has been outstanding more than 30 days. IFES does not charge interest on billing grant receivables; however, federal governmental agencies generally pay interest on invoices outstanding more than 30 days. IFES records interest income from federal governmental agencies when received.

**Subrecipient advances:** IFES issues 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.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

**Right-of-use asset:** IFES recognizes right-of-use assets on the statements of financial position for all leases with terms longer than 12 months. Right-of-use assets are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term using a risk-free rate. The right-of-use asset is reduced by the lease incentives.

**Lease liabilities:** IFES recognizes lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Liabilities are recognized at the lease commencement date based on the present value of the remaining lease payments over the lease term, using a risk-free rate. Lease expense is recognized on a straight-line basis over the term of the lease.

**Revenue recognition:** IFES receives grants and cooperative agreements from federal and state agencies, international government agencies and organizations, as well as from private organizations. Such award instruments are to be used for specific programs.

Most of the grant agreements are considered conditional contributions due to inclusion of barriers and rights of returns. Revenue and expenses are recognized in accordance with the authoritative guidance issued by the FASB whereby revenue is generally recognized as the related qualifying expenses are incurred and conditions met. Any excess of cash advances received over reimbursable expenditures is recorded as refundable advance. Revenue recognized under conditional contributions is recorded to net assets without donor restrictions if no donor restrictions remain at the time conditions are met.

Federal government grant costs, including indirect costs, are subject to audit and adjustment by applicable cognizant audit agencies. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

IFES's activities are primarily supported through awards from U.S. government agencies, international government agencies and organizations and private donors. A substantial amount of IFES's revenue is derived from federal awards provided by IFES's cognizant agency, the U.S. Agency for International Development (USAID). Revenue recognized from grants, cooperative agreements and contracts and support awarded by USAID approximated 67% and 60% of total revenues without donor restrictions for the years ended September 30, 2023 and 2022, 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, 2023, the amount of unrecognized conditional federal awards and non-federal awards amounted to \$53,582,736 and \$12,657,819, respectively.

**Commodities:** IFES procures goods and materials, such as training materials, equipment, ballot boxes, textbooks, etc., as required by the statement of work or mission of the project in connection with its performance of prime contracts, grants or cooperative agreements.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### 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.

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 February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. IFES adopted Topic 842 on October 1, 2022, using optional transition method to modified retrospective approach.

Under this transition provision, IFES has applied Topic 842 to reporting periods beginning on October 1, 2022, while prior periods continue to be reported and disclosed in accordance with IFES's historical accounting treatment under ASC Topic 840, Leases.

IFES elected the "package of practical expedients" under the transition guidance within Topic 842, in which IFES does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. IFES has also elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on October 1, 2022.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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

IFES made an accounting policy election available under Topic 842 not recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or October 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives.

To determine the present value of lease payments, IFES made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website.

IFES has not made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component of its office leases, and therefore, the right-of-use asset and lease liabilities do not include the non-lease components. The non-lease components typically represent additional services transferred to IFES, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to IFES's operating leases of \$13,244,994 and \$16,658,681, respectively, at October 1, 2022. The adoption of the new lease standard did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

**Subsequent events:** IFES has evaluated subsequent events through March 12, 2024, the date on which 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, 2023 and 2022:

	2023	2022
Unbilled receivables	\$ 4,651,907	\$ 8,391,727
Billed receivables	1,770	125,000
Donations receivable	-	2,250
Other receivables	24,043	47,081
	<u>4,677,720</u>	<u>8,566,058</u>
Less allowance for doubtful accounts	(49,500)	(50,000)
	<u>\$ 4,628,220</u>	<u>\$ 8,516,058</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.

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 3. Property and Equipment

Property and equipment consists of the following at September 30, 2023 and 2022:

	2023	2022
Leasehold improvements	\$ 3,556,377	\$ 3,303,466
Software	2,290,954	2,248,898
Furniture and equipment	323,624	136,151
	<u>6,170,955</u>	<u>5,688,515</u>
Less accumulated depreciation and amortization	(3,896,450)	(3,513,605)
	<u>\$ 2,274,505</u>	<u>\$ 2,174,910</u>

#### Note 4. Benefit Plans

**401(k) retirement plan:** IFES's employees are eligible immediately upon hire to participate in IFES's 401(k) retirement plan (the Plan) in which employees may make voluntary, tax-deferred contributions within specified limits. IFES matches employee contributions dollar for dollar up to a maximum of 6% of each eligible employee's annual salary. The Plan was established under the provisions of IRC Section 401(k) and has received a favorable termination as to its tax status from the IRS. IFES recorded contributions to the Plan of \$1,160,427 and \$1,051,253 for the years ended September 30, 2023 and 2022, respectively.

**TCN retirement savings plan:** IFES established a retirement savings plan (TCN plan) for third country nationals (TCNs) working outside the country, who are unable to participate in the IFES 401(k) Retirement Plan. TCNs are eligible to participate in the TCN plan one year after date of hire. Employees must have their own registered retirement or savings account through a financial institution or participate in a government-sponsored, employee-controlled retirement savings program in order to participate in the TCN plan. IFES matches employee contributions on a tenure based matching schedule in accordance with the requirements of the TCN plan and up to a maximum 6% of each eligible employee's annual salary. IFES recorded contributions to the TCN plan of \$69,079 and \$61,244 for the years ended September 30, 2023 and 2022, 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).

## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 6. Operating Leases

In 2015 IFES entered into a noncancellable operating lease that commenced on April 1, 2015, with a lease term through October 31, 2030. The lease for office space includes a provision for rent escalations. The lease expense is recognized on a straight-line basis ratably over the term of the lease.

IFES follows Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), resulting in a lease liability and right-of-use asset to be recorded on the balance sheet as of September 30. The lease is considered to be operating leases under the provisions of ASU 2016 02. IFES determined at adoption there were no renewal options expected to be exercised and calculated operating lease schedules through October 31, 2030.

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

The lease liability and its maturity analysis are summarized as follows:

Years ending September 30:	
2024	\$ 2,716,719
2025	2,314,532
2026	2,273,414
2027	2,243,262
2028	2,261,631
Thereafter	4,889,018
Total minimum payments required	<u>16,698,576</u>
Less amounts representing interest	<u>(1,870,971)</u>
Present value of minimum lease payments	14,827,605
Current portion of the obligation	<u>(2,616,200)</u>
Noncurrent portion of the obligation	<u>\$ 12,211,405</u>

IFES does not have an established borrowing rate and, therefore, applied the risk-free rate as of October 2023. The weighted-average remaining life of the lease is 19.18 years and weighted-average discount rate of 3.70%. Lease expense related to noncancellable operating leases aggregated \$1,413,433 and \$1,293,532 for the years ended September 30, 2023 and 2022, respectively.

Future minimum lease commitments as determined under Topic 840, for all noncancelable leases are as follows as September 30, 2022:

Years ending September 30:	
2023	\$ 1,994,987
2024	2,045,232
2025	2,096,748
2026	2,149,567
2027	2,203,722
Thereafter	7,148,266
Total minimum payments required	<u>\$ 17,638,522</u>



## International Foundation for Electoral Systems

### Notes to Financial Statements

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#### Note 7. Commitments and Contingencies

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

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

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

**Letter of credit:** At September 30, 2023 and 2022, IFES has an outstanding letter of credit of \$830,466 related to security deposit requirements for its noncancellable operating office lease. This letter of credit is fully secured by a restricted certificate of deposit and renews 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 Secured Overnight Financing Rate (SOFR) 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, 2023.

#### Note 8. Liquidity

IFES regularly monitors liquidity of financial assets required to meet its annual operating needs and other contractual commitments. As of September 30, 2023 and 2022, the following financial assets are available to meet annual operating needs for the next fiscal year:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	\$ 15,576,592	\$ 13,671,118
Grants and contract receivables	4,628,220	8,516,058
Subrecipient advances	720,284	816,966
Restricted cash and cash equivalents	830,808	830,724
Total financial assets	<u>21,755,904</u>	<u>23,834,866</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	427,323	411,591
Restricted cash and cash equivalents	830,808	830,724
Refundable Advance	11,108,233	9,439,945
	<u>12,366,364</u>	<u>10,682,260</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 9,389,540</u>	<u>\$ 13,152,606</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, 2023 and 2022, 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  
March 12, 2024

## International Foundation for Electoral Systems

### Schedule of Revenue of Non-US Government Awards Year Ended September 30, 2023

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditures
Bougainville Electoral Support Program	Abt Associates	PGF-2016-0010	5640	12/01/16	03/31/23	\$ -	\$ 444,044
Support for Development of the ASEAN Master Plan on Disability	Department of Foreign Affairs and Trade (DFAT) -Australia	74245	5671	03/21/18	08/31/22	-	106
She Leads - Women Leadership Program	Department of Foreign Affairs and Trade (DFAT) -Australia / Swiss Federal Department for Foreign Affairs (SFDFA)	75066 / 81058384	5682	01/01/19	12/31/22	268,276	1,533,038
Participation of Women in Elections and Registration (POWER) in Pakistan	Global Affairs Canada (GAC)	193: Purchase Order 741	5684	03/29/19	11/30/22	44,990	47,783
Ensuring Meaningful Engagement Through Reform for Gender Equality (EMERGE)	Global Affairs Canada (GAC)	444 Purchase Order 741	5686	03/29/19	03/29/24	1,163,548	1,040,958
Supporting Democratic Gains in Tunisia III	Swiss Federal Department for Foreign Affairs (SFDFA)	81066710	5692	11/01/20	05/30/24	1,000,000	652,531
Kenya Elections Support Programme	Foreign, Commonwealth and Development Office (FCDO) - UK	300657	5694	12/02/20	03/31/23	204,576	592,206
Strengthening Trust and Resilience in Democracy and Elections (STRIDE)	Department of Foreign Affairs and Trade (DFAT) -Australia	76576	5695	02/01/21	12/31/22	-	276,934
Support to Electoral Reforms in North Macedonia - Main Phase	Swiss Agency for Development and Cooperation (SDC)	81060732	5699	08/09/19	06/30/23	1,356,112	1,850,478
Inbound Data License & Services Agreement	Facebook, Inc.	INB0788144	5702	12/06/19	12/31/23	150,000	173,595
Technical assistance on electoral issues to benefice of the Etifa's technical group on elections	French MFA - Syria	209SYR0130	5703	11/01/21	10/31/22	-	13,006
Strengthening Investigative Journalism on Abuse of State Resources in Elections	Microsoft		5704	01/01/22	12/31/22	-	20,433
Support IFES in implementing its strategic plan - Delivering Democracy for All	Swedish International Development Cooperation Agency (SIDA)	14402	5705	11/01/21	12/31/23	955,256	1,795,115
META Global Partnership 3	Meta	INB2622154	5706	05/15/22	06/30/23	585,000	409,983
Elect. Digital Readiness	Microsoft		5707	08/15/22	08/14/23	90,000	72,648
IFES Nepal Civic Education Program	META	INB2649841	5708	08/09/22	03/30/23	-	58,349
Google Elec. Guide	Google		5709	10/13/22	10/12/24	170,000	150,817
Global Google Award	0		5710	11/28/22	11/28/23	450,000	310,079
State Threats Palladium	FCDO (formerly DFID)		5711	10/31/22	03/31/24	93,806	105,518
USIP OPD	US Institute for Peace		5713	01/30/23	07/15/24	-	8,346
META Global Donation	META	INB2707137	5714	12/22/22	09/20/24	-	117,736
Strengthening Advances in Governance and Elections (SAGE)	Department of Foreign Affairs and Trade (DFAT) -Australia	76032	5908	06/01/20	06/30/24	1,541,983	2,639,522
Ukraine and Meaningful Engagement (UADEM)	Foreign, Commonwealth and Development Office (FCDO) - UK	300802-109	5914	06/01/21	05/25/22	-	6,170
NEPAL- Strengthening Inclusive Election Processes in Nepal DFAT	Department of Foreign Affairs and Trade (DFAT) -Australia	77496	5916	04/01/22	09/30/23	-	1,081,843
Myanmar_Building Resilient Civic Leaders in Myanmar_DFAT	Department of Foreign Affairs and Trade (DFAT) -Australia	73891	5917	04/01/22	03/31/23	333,755	577,769
DFAT SDMAL - Regional II	Department of Foreign Affairs and Trade (DFAT) -Australia		5920	06/06/22	10/31/23	167,966	358,396
RISE UKR Proj Activities	FCDO (formerly DFID)		5921	06/01/22	03/31/25	2,413,802	2,648,039
Indonesia DFAT Disinfo	Department of Foreign Affairs and Trade (DFAT) -Australia		5922	06/10/22	06/30/23	23,235	95,102
Sri Lanka DFAT SSG	Department of Foreign Affairs and Trade (DFAT) -Australia	AC48800/IFES/1	5923	06/10/22	04/30/23	344,713	305,551
DFAT PNG ADIB	DFAT_Australia		5924	01/01/22	03/31/25	1,420,000	1,299,302
DFAT INDONESIA STRIDE II	DFATD		5925	01/01/23	06/30/24	582,609	470,655
OSIWA-MEDIA INCL - MALI	OSI WI		5926	02/01/23	05/30/24	200,000	120,500
FCDO Montenegro	FCDO (formerly DFID)		5927	03/17/23	03/31/25	141,514	226,110
DFAT ASEAN MTR	DFATD	78361	5928	06/01/23	12/31/23	198,992	73,550

(Continued)

## International Foundation for Electoral Systems

### Schedule of Revenue of Non-US Government Awards (Continued) Year Ended September 30, 2023

Actual Project Name	Actual Donor Name	Contract ID	Project ID	Start Date	End Date	Cash Received	Total Expenditures
SSDA FCDO	FCDO (formerly DFID)	301454-405	5929	06/23/23	03/31/25	\$ 189,758	\$ 39,610
FCDO Tunisia	FCDO (formerly DFID)	PUR1051558	5930	08/01/23	03/31/24	43,533	43,168
RPA Resilient Election In	Rockefeller Philanthropy Advisors		5931	07/17/23	07/16/26	375,000	17,872
DFAT Myanmar PCGLM	DFATD	78506	5932	08/14/23	01/30/26	-	65,237
Indonesia-DFATD- AEPD	DFATD	7060661	5590	07/29/14	03/31/20	-	(3,367)
Indonesia DFAT-AEPD	DFAT	70830	5623	05/12/14	03/31/17	-	(18)
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	5664	10/31/17	03/31/22	-	4,558
Electoral and Legal Enhancement through Civic Engagement and Technical Assistance (ELECT)	Department for International Development (DFID) -UK	300476-101	5666	08/01/17	02/28/22	-	872
Indonesia Democratic Governance Reform	Department of Foreign Affairs and Trade (DFAT) -Australia	74291	5672	03/15/18	12/31/20	-	4,499
Supporting Democratic Gains in Tunisia - Phase II	Swiss Agency for Development and Cooperation (SDC)	81057805	5681	12/01/18	02/29/20	-	982
Strengthening Election Administration in Sri Lanka	Department of Foreign Affairs and Trade (DFAT) -Australia	75173	5685	03/28/19	12/31/21	-	(506)
Development of Electoral Modules for India's India International Institute of Democracy & Election Management (IIIDEM)	Election Commission of India	IIIDEM001	5690	08/05/20	04/30/21	-	-
Election Integrity Strategy	Facebook, Inc.	NB0527043-INB114477	5700	06/24/19	05/31/22	-	(799)
FB COUNTER HATE SPEECH	Facebook, Inc.		5701	07/15/19	04/30/20	-	746
Countering COVID-related Disinformation and Hate Speech in Southeast Asia	Department of Foreign Affairs and Trade (DFAT) -Australia	D20/594990	5907	05/22/20	05/30/21	-	-
UKR_FCDO_TEA	FCDO (formerly DFID)	3/9/2020	5909	09/28/20	01/31/21	-	(2)
GEO_FCDO_iEXCEL	FCDO (formerly DFID)	40224	5911	01/01/21	04/30/21	-	-
Strengthening Resilience to Disinformation and Building Trust in Democracy and Elections (Indonesia)	Department of Foreign Affairs and Trade (DFAT) -Australia	47 065 634 525	5912	04/23/21	12/31/21	-	(2)
Strengthening Digital Media Literacy	Department of Foreign Affairs and Trade (DFAT) -Australia	76867	5913	05/31/21	04/30/22	-	(257)
<b>Total Non USG Awards</b>						<u>\$ 14,508,424</u>	19,748,805
Final adjustments							<u>(842,143)</u>
							<u>\$ 18,906,662</u>