



UNITED STATES GOVERNMENT

Memorandum

Office of the Inspector General

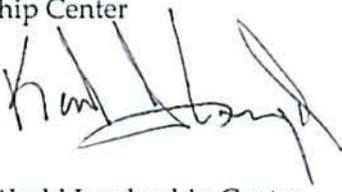
LIBRARY OF
CONGRESS

TO: Ambassador John O'Keefe
Executive Director
Open World Leadership Center

FROM: Karl W. Schornagel
Inspector General

SUBJECT: Results of the Open World Leadership Center
FY 2009 Financial Statements Audit

July 14, 2010



The attached report presents the results of the annual audit of the Open World Leadership Center's (Open World) financial statements for fiscal years (FY) 2009 and 2008.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

In its audit of Open World, Kearney found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no material weaknesses in internal control¹ over financial reporting (including safeguarding assets), and
- There were no instances of noncompliance with laws and regulations it tested.

¹ A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Open World's internal controls. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Open World's ability to initiate, authorize, record, process, or report financial data reliability, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement in Open World's financial statements that is more than inconsequential will not be prevented or detected by Open World's internal controls. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

In connection with the contract, we reviewed Kearney's report and related documentation and inquired of its representatives. Our review as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Open World's financial statements or conclusions about the effectiveness of internal controls or conclusions on compliance with laws and regulations. Kearney is responsible for the attached auditor's report dated May 14, 2010 and the conclusions expressed in the report.² However, our review disclosed no instances where Kearney did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Attachment

² In accordance with generally accepted auditing standards, Kearney's report is dated as of the last day of their audit fieldwork. Kearney's final report was delivered to the Office of the Inspector General on June 16, 2010.



Certified Public Accountants
and Consultants

4501 Ford Avenue, Suite 1400, Alexandria, VA 22302
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT

Executive Director
Open World Leadership Center

We have audited the accompanying consolidated balance sheets of the Open World Leadership Center (the Center) as of September 30, 2009 and 2008, and the related consolidated statements of net cost, statements of changes in net position, and combined statement of budgetary resources (hereinafter referred to as the financial statements) for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

SUMMARY

As stated in our opinion on the financial statements, we concluded that the Center's financial statements for the years ended September 30, 2009 and 2008 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting (including the safeguarding of assets) disclosed no material weaknesses.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* issued by the Comptroller General of the United States.

The following sections discuss our opinion on the Center's financial statements, our consideration of the Center's internal control over financial reporting, our tests of the Center's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the Center as of September 30, 2009 and 2008, and the related consolidated statements of net cost, statements of changes in net position, and combined statement of budgetary resources for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as



amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of September 30, 2009 and 2008, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The information contained in Management's Discussion and Analysis is not a required part of the basic financial statements, but is considered supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information; however, we did not audit this information, and therefore we do not express an opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Center's internal control over financial reporting by obtaining an understanding of the design effectiveness of the Center's internal controls, determining whether these controls had been placed in operation, assessing control risk, and performing tests of the Center's controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements, and not to provide an opinion on the internal controls. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting and compliance.

We limited our control testing to those controls necessary to achieve the following OMB Bulletin No. 07-04, as amended, control objectives that provide reasonable, but not absolute assurance, that: 1) transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; 2) transactions are executed in compliance with laws governing the use of budget authority; Government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04, as amended; and other laws and regulations that could have a direct and material effect on financial statements. We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Managers' Financial Integrity Act (FMFIA), such as those controls relevant to ensuring efficient operations.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal controls.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal controls. Our consideration of internal control was for the limited purpose described in the second paragraph of this section, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no matters involving internal control and its operations that we consider to be material weaknesses or significant deficiencies.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Center's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the Center. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended.

This report is intended solely for the information and use of the Center's Board of Directors, the Center's Audit Committee, the Center's management, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.



May 14, 2010
Alexandria, Virginia

OPEN WORLD LEADERSHIP CENTER

FINANCIAL STATEMENTS FOR FISCAL YEARS 2009 AND 2008



Washington, DC
March 2010

OPEN WORLD LEADERSHIP CENTER

FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED 2009 AND 2008

TABLE OF CONTENTS

	PAGE
<i>MANAGEMENT'S DISCUSSION AND ANALYSIS</i>	
<i>Mission and Overview</i>	<i>1</i>
<i>History</i>	<i>1</i>
<i>Overview of Financial Statements</i>	<i>2</i>
<i>Limitations of the Financial Statements</i>	<i>3</i>
<i>FINANCIAL STATEMENTS AND NOTES</i>	
<i>Consolidated Balance Sheets</i>	<i>5</i>
<i>Consolidated Statements of Net Costs</i>	<i>6</i>
<i>Consolidated Statement of Changes in Net Position</i>	<i>7</i>
<i>Combined Statement of Budgetary Resources</i>	<i>8</i>
<i>Notes to the Financial Statements</i>	<i>9</i>
<i>REPORT OF INDEPENDENT AUDITORS</i>	
<i>Independent Auditor's Report</i>	

MANAGEMENT'S DISCUSSION AND ANALYSIS



OPEN WORLD LEADERSHIP CENTER

Financial Statements

For the Fiscal Years Ended September 30, 2009 and 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION AND OVERVIEW

The mission of the Center is to enhance understanding and capabilities for cooperation between the United States and the countries of Eurasia and the Baltic States by developing a network of leaders in the region who have gained significant, firsthand exposure to America's democratic, accountable government and free-market system. Since its founding by Congress in 1999, the Open World Program, which is administered by the Center, has enabled over 12,000 current and future leaders from Russia, Ukraine, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Lithuania, Moldova, Tajikistan and Uzbekistan to experience American democracy and civil society, work with their American counterparts, live in American families and communities, and gain new ideas and inspiration for implementing change back home. The Center is today the largest U.S.-Russia exchange program and a proven model for exchanges for leaders from other Eurasian countries.

The Center is an independent entity in the Legislative Branch governed by a board of trustees. Board members consist of members of Congress and private citizens. The Congressional leadership appoints congressional members while the Librarian of Congress appoints citizen board members. The Librarian of Congress is currently the Chairman of the Board.

The Center receives appropriated funds and is authorized to receive private donations. All funds credited to the Center are deposited in a United States Treasury trust fund, the Open World Leadership Center Trust Fund.

HISTORY

Congress established Open World in May 1999 as a Library of Congress-run pilot exchange for emerging Russian leaders. In late 2000, Congress created (Public Law 106-554) the Center as a separate legislative branch entity to manage the program, which had already hosted 3,500 Russians in 48 states. In 2003, Congress made the other New Independent States and the Baltic Republics eligible for Open World and expanded the Russia program to include cultural leaders. One year later, Congress extended Open World eligibility to any countries designated by the Center's board. Today, the original Russia program, the cultural leaders program for Russia and exchanges with other countries in the region are collectively called the Open World Program.

The Center conducts its programs with the help of many respected government agencies and non-governmental organizations (NGOs) in the United States and participating countries. A large pool of prominent U.S. and foreign government bodies and international NGOs nominate most candidates. Finalists are then selected by committees composed mainly of U.S. Embassy staff. The

U.S. visits are carried out by some 20 organizations with exchange-program expertise that the Center competitively selects and awards grants to each year. These organizations either host groups themselves or recruit local affiliates, civic organizations, educational institutions, and government bodies to do so. In addition to arranging the professional agendas, these local host organizations provide meals, lodging, and cultural and social activities.

The Center awards contracts for the international and domestic travel and other logistical and administrative arrangements for the program and other expert services. The Open World Alumni Program is supported by private funding and administered through a contract.

The Center relies on the Library of Congress (the Library) through an interagency agreement to provide accounting services and support, financial reporting and financial statements, personnel and human resources services, contracting services, legal services and office space.

OVERVIEW OF FINANCIAL STATEMENTS

Balance Sheet

The purpose of the Balance Sheet is to provide financial statement users with information about the Center's assets, liabilities, and net position as of fiscal years 2009 and 2008. The Center's net position consists of the funds authorized by Congress for operations of the Center since inception, private donations, and the net results of operations through fiscal years 2009 and 2008.

Assets	(in millions)		Liabilities and Net Position	(in millions)	
	2009	2008		2009	2008
Intragovernmental	\$8.7	\$7.9	Intragovernmental		
Prepayments	0.5	0.4	Liabilities	\$0.5	\$0.1
Other			Other Liabilities	1.2	1.3
			Net Position	7.5	6.9
Total Assets	\$9.2	\$8.3	Total Liabilities and Net Position	\$9.2	\$8.3

The Center's assets total \$9.2 and \$8.3 million for fiscal years 2009 and 2008, respectively with Investments with the Department of the Treasury (Treasury) as the major item. The Center's liabilities total \$1.8 and \$1.4 million consisting of accounts payable, accrued payroll liabilities, and advances.

Statement of Net Costs

The purpose of the Statement of Net Costs is to provide financial statement users with information about program costs. Program costs for fiscal year 2009 were \$14.6 million and \$17.2 million for fiscal year 2008. The \$2.6 million difference this fiscal year was due primarily to the decrease in grant activity.

Statement of Changes in Net Position

The purpose of the Statement of Changes in Net Position is to provide financial statement users with information about the Center's financing sources and the components of the changes in net position. The Center's net position increased by \$0.5 million due to the Center's net financing sources \$15.1 million exceeding its net costs of operations, (\$14.6 million).

Statement of Budgetary Resources

The Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Center and information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of the Center and relates obligations incurred to total outlays.

The Center's budgetary resources were \$32.0 and \$25.3 million for fiscal years 2009 and 2008. This fiscal year budgetary resources were derived from \$1.0 million of the fiscal year 2008 unobligated balance, \$1.6 million recoveries of fiscal year 2008 unpaid obligations, and \$29.4 million of current year budget authority. Outlays of \$14.3 million consisted of \$13.9 million from appropriated sources and \$0.4 million from non-appropriated sources. Please refer to Note 11, especially for an explanation of the budgetary resource amounts.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The Center's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Center, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the financial statements. While the statements have been prepared from the books and records maintained by the Library of Congress, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity. One implication of this is that obligations and subsequent liabilities cannot be incurred without legislation that provides authority to do so.

FINANCIAL STATEMENTS AND NOTES



OPEN WORLD LEADERSHIP CENTER

Consolidated Balance Sheets

As of September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY 2008</u>
ASSETS		
Entity Assets:		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	\$ 1,034,951	\$ 974,019
Investments (Note 3)	<u>7,727,380</u>	<u>6,938,700</u>
Total Intragovernmental	8,762,331	7,912,719
Property and Equipment	1,586	2,039
Prepayments (Note 4)	471,549	421,700
Other (Note 5)	<u>0</u>	<u>1,615</u>
Total Assets	<u>\$ 9,235,466</u>	<u>\$ 8,338,073</u>
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable and Accrued Funded Payroll Benefits	\$ 160,080	\$ 25,683
Advances from Others	<u>406,729</u>	<u>119,967</u>
Total Intragovernmental	566,809	145,650
Accounts Payable and Accrued Funded Payroll Benefits	1,136,589	1,158,142
Unfunded Annual and Compensatory Leave	<u>64,978</u>	<u>94,581</u>
Total Liabilities	<u>\$ 1,768,376</u>	<u>\$ 1,398,373</u>
NET POSITION		
Cumulative Results of Operations - Earmarked	<u>7,467,090</u>	<u>6,939,700</u>
Total Net Position	7,467,090	6,939,700
Total Liabilities and Net Position	<u>\$ 9,235,466</u>	<u>\$ 8,338,073</u>

The accompanying notes are an integral part of these financial statements.

OPEN WORLD LEADERSHIP CENTER
Consolidated Statements of Net Costs
For the Years Ended September 30, 2009 and 2008

	FY 2009	FY 2008
Net Costs by Program Area:		
Program Costs	\$ 14,643,577	\$ 17,233,322
Less Earned Revenue	0	0
Net Costs of Operations	14,643,577	17,233,322

The accompanying notes are an integral part of these financial statements.

OPEN WORLD LEADERSHIP CENTER
Consolidated Statement of Changes in Net Position

For the Years Ended September 30, 2009 and 2008

	FY 2009		FY 2008	
	<u>Cumulative</u> <u>Results of</u> <u>Operations</u>	<u>Unexpended</u> <u>Appropriation</u>	<u>Cumulative</u> <u>Results of</u> <u>Operations</u>	<u>Unexpended</u> <u>Appropriation</u>
Cumulative Results of Operations				
Beginning Balances	\$ 6,939,700	0	\$ 13,749,807	0
Budgetary Financing Sources				
Appropriations Received		13,900,000	0	9,000,000
Other Adjustments			0	(22,500)
Appropriations Used	13,900,000	(13,900,000)	8,977,500	(8,977,500)
Non-Exchange Revenue	328,876		622,124	0
Donations Cash or Securities	412,724		393,867	0
Other financing sources	472,237	0	380,034	
Other Financing Sources				
Imputed Financing from costs absorbed by others (Note 8)	57,130		49,690	0
Total Financing Sources	15,170,967	0	10,423,215	0
Net Costs of Operations	(14,643,577)		(17,233,322)	0
Net Change	527,390		(6,810,107)	
Net Position, Ending	\$ 7,467,090	0	\$ 6,939,700	0

The accompanying notes are an integral part of these financial statements.

Note: Open World Leadership Center funds are earmarked funds

OPEN WORLD LEADERSHIP CENTER
Combined Statement of Budgetary Resources
For the Years Ended September 30, 2009 and 2008

	FY 2009	FY 2008
Budgetary Resources (see Note 11)		
Unobligated Balance, brought forward , October 1	\$ 1,021,753	\$ 5,001,326
Recoveries of prior year obligations	1,647,521	1,214,096
Budget Authority		
Appropriation (see Note 11)	29,032,157	19,465,663
Spending authority from offsetting collections		
Earned		
Collected	42,354	59,807
Change in receivables from Federal Sources	(1,615)	0
Advance Received	286,763	380,034
Subtotal budget authority	29,359,659	19,145,436
Permanently not available	0	(22,500)
Total Budgetary Resources	\$ 32,028,933	\$ 25,338,358
Status of Budgetary Resources		
Obligations Incurred:		
Direct	\$ 31,582,660	\$ 24,316,605
Unobligated balance-Exempt from Apportionment	446,273	1,021,753
Total Status of Budgetary Resources	\$ 32,028,933	\$ 25,338,358
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid obligations, brought forward, October 1	\$ 6,823,880	\$ 10,678,447
Less: Uncollected customer payments from Federal sources, brought Forward October 1	(1,615)	(1,615)
Total unpaid obligated balance, net	6,822,265	10,676,832
Obligations Incurred	31,582,660	24,316,605
Less: Gross outlays	(28,493,341)	(26,957,076)
Less: Recoveries of prior-year unpaid obligations	(1,647,521)	(1,214,096)
Change in uncollected customer payments from Federal sources	1,615	0
Obligated Balance, Net, End of Period		
Unpaid obligations	8,265,678	6,823,880
Less: Uncollected customer payments from Federal sources	0	(1,615)
Total, unpaid obligated balance, net end of period	8,265,678	6,822,265
Net Outlays		
Gross Outlays	28,493,341	26,957,076
Less: Offsetting Collections	(329,117)	320,226
Less: Distributed Offsetting Receipts	(13,900,000)	(8,977,500)
Net Outlays	\$ 14,264,224	\$ 18,299,802

The accompanying notes are an integral part of these financial statements.

Open World Leadership Center
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Center, a legislative branch agency of the federal government was established by Public Law 106-554 to bring political and civic leaders to the United States to meet their American counterparts and experience American style democracy and free enterprise in action. The Center relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House Appropriations Committee and the Senate Appropriations Sub-committees on Legislative Branch. The Center also receives funds from other federal agencies and gifts from the public to carry out its operations.

The Center's programs and operations are governed by a board of trustees. Board members consist of members of congress (appointed by the Congressional leadership) and private citizens (appointed by the Librarian of Congress). The Librarian of Congress is currently the Chairman of the Board.

B. Basis of Presentation

The accompanying financial statements report the financial position, net costs, changes in net position, and budgetary resources of the Center for fiscal years 2009 and 2008. These statements and schedules include amounts of all funds designated by law and managed for the purpose of the Center. The statements were prepared from the Library's financial management system in accordance with the form and content for entity financial statements specified by the Library's financial management regulations and directives and the accounting policies summarized in this note.

As a Legislative Branch agency, the Center is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or standards developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Center maintains its fund balances with the Treasury and submits information required to incorporate its financial and budget data into the overall federal government structure. For purposes of financial management and reporting, the Center follows Library regulation (LCR 1510) which adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency.

C. Basis of Accounting

Transactions are recorded on the accrual basis and are within budgetary limitations established to facilitate compliance with legal constraints and controls over use of federal funds. Under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash.

The Center's financial statements conform to accounting principles generally accepted in the United States of America as promulgated by the FASAB. The American Institute of Certified Public Accountants recognizes FASAB Standards as generally accepted accounting principles for federal reporting entities.

The statements were also prepared based on guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The Center is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

D. Use of Estimates in Preparing Financial Statements

The preparation of financial statements, in conformity with Federal accounting standards, requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and the amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Note 2. Fund Balance with Treasury

	2009	2008
OWLC Funds Originally from Appropriations	\$ 207,244	\$325,456
Gift Funds	827,707	648,563
Total	<u>\$1,034,951</u>	<u>\$974,019</u>

Status of Fund Balance with Treasury:	2009	2008
Unobligated Balances – Available	\$0	\$0
Obligated Balances - Unavailable	1,034,951	974,019
Total	<u>\$1,034,951</u>	<u>\$974,019</u>

Note 3. Investments, net

The Center's funds that are not needed currently to finance current activities are invested in interest-bearing obligations of the United States. The Center has directed the Library to invest funds derived from contributions in Treasury securities. Due to the short-term nature of the investments, the cost of investments in conjunction with accrued interest approximates their fair market values. Investments outstanding were \$7,727,380 and \$6,938,700 for fiscal years 2009 and 2008. Average annual investment rates were 3.344% and 4.542% in fiscal years 2009 and 2008.

	2009	2008
Face Value	\$7,677,000	\$6,870,000
Interest Receivable	50,380	68,700
Investments, Net	<u>\$7,727,380</u>	<u>\$6,938,700</u>

Note 4. Prepayments

The Center awards grants to approximately 20 organizations with exchange-program expertise that are competitively selected for the purpose of hosting the foreign delegates. In fiscal years 2009 and 2008, \$471,549 and \$421,700 had been paid to but not yet used by these organizations to carry out their services.

Note 5. Other Assets

Other assets primarily consist of account receivables for fiscal year 2008 of \$1,615.

Note 6. Intragovernmental Activities

The financial activities of the Center interact with and depend on the services of the Department of State and the Library for administrative support.

Note 7. Liabilities Covered and Not Covered By Budgetary Resources

	2009	2008
Liabilities Covered By Budgetary Resources	\$1,703,398	\$1,303,792
Liabilities Not Covered By Budgetary Resources:		
Intragovernmental	0	0
Other	64,978	94,581
Total	<u>\$1,768,376</u>	<u>\$1,398,373</u>

Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, advances from the public, and deferred credits.

Liabilities not covered by budgetary resources include accrued unfunded annual leave and benefits.

Note 8. Imputed Financing Sources

An imputed financing source of \$57,130 and \$49,690 was recognized for partial funding of employee benefit costs incurred on behalf of the Center by the Office of Personnel Management in fiscal years 2009 and 2008, respectively.

Note 9. Total Cost and Earned Revenue by Budget Functional Classification

	2009	2008
Total Cost by Function Classification:		
Education, Training, Employment and Social Services	\$14,643,577	\$17,233,322

Note 10. Total Cost by Program Activity

	2009	2008
Intragovernmental Costs	\$1,017,701	\$462,515
Public Costs	13,625,876	16,770,807
Total Program Costs	<u>\$14,643,577</u>	<u>\$17,233,322</u>

Note 11. Budgetary Resources

The Center's General Fund received appropriations of \$13,900,000. The Appropriation amount reflected in Budget Authority in this note and in the Statement of Budgetary Resources includes the general fund appropriation as well as its transfer of \$13,900,000 from the general fund to the trust fund. This "combined" reporting, where elimination of internal transfers is not permitted, is a standard presentation of the Statement of Budgetary Resources, as required by generally accepted accounting principles for a legislative agency.

The Center's net outlays are \$4.0 million less in fiscal year 2009 as compared to fiscal year 2008, primarily due to the decrease in grant activity for fiscal year 2009. These net outlay totals agree with the data reported by the Treasury and the OMB for both years for the Center. Outlay reporting is to be consistent between Treasury, OMB, and the financial statements.

The following presentation is designed to assist the reader in understanding that the actual appropriation for fiscal years 2009 and 2008 were \$13,900,000 and \$9,000,000, respectively.

	FY 2009			FY 2008		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<i>Budgetary Resources:</i>						
Unobligated Balance, Brought Forward, October 1	\$ 0	\$ 1,021,753	\$ 1,021,753	\$ 0	\$ 5,001,326	\$ 5,001,326
Recoveries of Prior-Year Obligations	0	1,647,521	1,647,521	0	1,214,096	1,214,096
<i>Budget Authority:</i>						
Appropriation	13,900,000	15,132,157	29,032,157	9,000,000	10,465,663	19,465,663
<i>Spending Authority from Offsetting Collections:</i>						
<i>Earned:</i>						
Collected	0	42,354	42,354	0	59,807	59,807
Change in Receivables from Federal Sources	0	(1,615)	(1,615)	0	0	0
<i>Change in Unfilled Customer Orders:</i>						
Advances Received	0	286,763	286,763	0	380,034	380,034
Without Advances from Federal Sources						
Expenditure Transfers from Trust Funds						
Subtotal Budget Authority	13,900,000	15,459,659	29,359,659	9,000,000	10,145,436	19,145,436
Nonexpenditure Transfers, Net Temporarily Not Available Pursuant to Public Law						
Permanently Not Available	0	0	0	(22,500)	0	(22,500)
Total Budgetary Resources	\$ 13,900,000	\$ 18,128,933	\$ 32,028,933	\$ 8,977,500	\$ 16,360,858	\$ 25,338,358

Status of Budgetary Resources:						
Obligations Incurred:						
Direct	\$ 13,900,000	\$ 17,682,660	\$ 31,582,660	\$ 8,977,500	\$ 15,339,105	\$ 24,316,605
Reimbursable						
Total Obligations Incurred	13,900,000	17,682,660	31,582,660	8,977,500	15,339,105	24,316,605
Unobligated Balance (Exempt from Apportionment)	0	446,273	446,273	0	1,021,753	1,021,753
Unobligated Balance – Not Available						
Total Status of Budgetary Resources	\$ 13,900,000	\$ 18,128,933	\$ 32,028,933	\$ 8,977,500	\$ 16,360,858	\$ 25,338,358
Change in Obligated Balance:						
Unpaid Obligated Balance, Net, Brought Forward, October 1:						
Unpaid Obligations, Brought Forward	\$ 0	\$ 6,823,880	\$ 6,823,880	\$ 0	\$ 10,678,447	\$ 10,678,447
Less: Uncollected Customer Payments, Brought Forward	0	(1,615)	(1,615)	0	(1,615)	(1,615)
Total Unpaid Obligation Balance, Net	0	6,822,265	6,822,265	0	10,676,832	10,676,832
Obligations Incurred, net	13,900,000	17,682,660	31,582,660	8,977,500	15,339,105	24,316,605
Less: Gross Outlays	(13,900,000)	(14,593,341)	(28,493,341)	(8,977,500)	(17,979,576)	(26,957,076)
Less: Recoveries of Prior-Year Unpaid Obligations	0	(1,647,521)	(1,647,521)	0	(1,214,096)	(1,214,096)
Change in Uncollected Customer Payments from Federal Sources	0	1,615	1,615	0	0	0
Total Unpaid Obligated Balance, Net:						
Unpaid Obligations	0	8,265,678	8,265,678	0	6,823,880	6,823,880
Less: Uncollected Customer Payments from Federal Sources	0	0	0	0	(1,615)	(1,615)
Total Unpaid Obligated Balance, Net, End of Period	\$ 0	\$ 8,265,678	\$ 8,265,678	\$ 0	\$ 6,822,265	\$ 6,822,265
Net Outlays:						
Gross Outlays	\$ 13,900,000	\$ 14,593,341	\$ 28,493,341	\$ 8,977,500	\$ 17,979,576	\$ 26,957,076
Less: Offsetting Collections	0	(329,117)	(329,117)	0	320,226	320,226
Less: Distributed Offsetting	0	0	0	0	0	0
Intrabudgetary Receipts		(13,900,000)	(13,900,000)		(8,977,500)	(8,977,500)
Total Net Outlays	\$ 13,900,000	\$ 364,224	\$ 14,264,224	\$ 8,977,500	\$ 9,322,302	\$ 18,299,802

Note 12. Reconciliation of Net Cost of Operations to Budget
--

Resources Used to Finance Activities	<u>FY 2009</u>	<u>FY 2008</u>
Budgetary Resources Obligated:		
Obligations Incurred	\$ 31,582,660	\$ 24,316,605
Less: Spending Authority from Offsetting Collections and Recoveries	(1,975,023)	(893,870)
Distributing Offsetting Receipts	(13,900,000)	(8,977,500)
Net Obligations	<u>15,707,637</u>	<u>14,445,235</u>
Other Resources		
Imputed Financing from Costs Absorbed by Others	57,130	49,690
Total Resources Used to Finance Activities	<u>15,764,767</u>	<u>14,494,925</u>
Resources Used to Finance Items not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	(1,092,041)	2,710,322
Resources that Fund Expenses in Recognized in Prior Periods	(29,602)	0
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	13,900,000	8,977,500
Resources that Finance the Acquisition of Assets	0	0
Other Resources or Adjustments to Net Obligated Resources that do not affect Net Cost of Operations	(13,900,000)	(8,977,500)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(1,121,643)</u>	<u>2,710,322</u>
Total Resources Used to Finance the Net Cost of Operations	<u>14,643,124</u>	<u>17,205,247</u>
Components of Net Cost of Operations that will not Require or Generate Resources In Future Periods		
Components Requiring or Generating Resources in Future periods:		
Increase in Annual Leave Liability	<u>0</u>	<u>27,395</u>
Total Components Requiring or Generating Resources in Future Periods	<u>0</u>	<u>27,395</u>
Components not Requiring or Generating Resources:		
Depreciation and Amortization	<u>453</u>	<u>680</u>
Total Components of the Net Cost of Operations that will Not Require Or Generate Resources in the Current Period	<u>453</u>	<u>28,075</u>
Net Costs of Operations	<u>\$ 14,643,577</u>	<u>\$ 17,233,322</u>