

# **OPEN WORLD LEADERSHIP CENTER**

**FINANCIAL STATEMENTS FOR FISCAL YEARS 2010 AND 2009**



**OPEN WORLD**  
LEADERSHIP CENTER

**Washington, DC**  
**February 2011**



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

## Memorandum

*Office of the Inspector General*

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

May 11, 2011

**FROM:** Karl W. Schornagel  
Inspector General

**SUBJECT:** Results of the Open World Leadership Center  
FY 2010 Financial Statement Audit

The attached reports present the results of the annual audits of the Open World Leadership Center's (Open World) financial statements for fiscal years (FY) 2010 and 2009.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for the audits. The contract required that the audits be performed in accordance with U.S. generally accepted government auditing standards; the Office of Management and Budget Bulletin 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 control<sup>1</sup> over financial reporting (including safeguarding assets), and
- There were no instances of noncompliance with laws and regulations it tested.

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<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control 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 and correct 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 April 5, 2011 and the conclusions expressed in the report.<sup>2</sup> However, our review disclosed no instances where Kearney did not comply, in all material respects, with U.S. generally accepted government auditing standards.

#### Attachment

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<sup>2</sup> 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 April 28, 2011.

## **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, 2010 and 2009, and the related consolidated statements of net cost, statements of changes in net position, and combined statements 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 audits.

### **SUMMARY**

As stated in our opinion on the financial statements, we concluded that the Center's financial statements for the years ended September 30, 2010 and 2009 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Our consideration of internal control over financial reporting (including the safeguarding of assets) disclosed no significant deficiencies or 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 Center 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, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and combined statements 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 audits.

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 audits provide 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, 2010 and 2009, and its net cost of operations, changes in net position, and budgetary resources, including accompanying notes, for the years then ended, in conformity with GAAP.

The Center's Management's Discussion and Analysis, other Required Supplementary Information, and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. The information contained in the Management's Discussion and Analysis is not a required part of the Center's financial statements, but is considered supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the Center. On the basis of this limited work, we found no material inconsistencies with the financial statements, GAAP, or OMB Bulletin No. 07-04, as amended.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Center's internal control over financial reporting and compliance by obtaining an understanding of the design effectiveness of the Center's internal control, determining whether these controls had been placed in operation, assessing control risk, and performing tests of the Center's controls as a basis for designing our auditing procedures for the purpose of expressing our 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 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 GAAP, 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 as broadly defined by the Federal Financial Management Improvement Act, such as those controls relevant to ensuring efficient operations.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs, and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not note any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Center's 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; we did not test compliance with all laws and regulations applicable to the Center. Providing an opinion on compliance with certain provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our testing disclosed no instances of noncompliance as described in the preceding paragraph, and disclosed no instances of noncompliance that would be reportable under standards applicable to financial audits contained in *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.

A handwritten signature in blue ink that reads "Kearney &amp; Company". The signature is written in a cursive, flowing style.

Alexandria, Virginia  
April 5, 2011

**OPEN WORLD LEADERSHIP CENTER**  
**FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED 2010 AND 2009**

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# MANAGEMENT'S DISCUSSION AND ANALYSIS



**OPEN WORLD**  
LEADERSHIP CENTER

**OPEN WORLD LEADERSHIP CENTER**  
**Financial Statements**

For the Fiscal Years Ended September 30, 2010 and 2009

**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 2010 and 2009. 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 2010 and 2009.

<b>Assets</b>	(in millions)		<b>Liabilities and Net Position</b>	(in millions)	
	2010	2009		2010	2009
Intragovernmental	\$8.1	\$8.7	Intragovernmental Liabilities	\$0.3	\$0.5
Prepayments	0.1	0.5	Other Liabilities	1.9	1.2
Other	0.1		Net Position	6.1	7.5
<b>Total Assets</b>	<b>\$8.3</b>	<b>\$9.2</b>	<b>Total Liabilities and Net Position</b>	<b>\$8.3</b>	<b>\$9.2</b>

The Center's assets total \$8.3 million and \$9.2 million for fiscal years 2010 and 2009, respectively with Investments with the Department of the Treasury (Treasury) as the major item. The Center's liabilities total \$2.2 million and \$1.7 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 2010 were \$14.9 million and \$14.6 million for fiscal years 2010 and 2009, respectively.

### **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 decreased by \$1.3 million during fiscal year 2010 due to the Center's net costs of operations (\$14.9 million) exceeding its financing sources (\$13.6 million) for the fiscal year.

### **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 \$26.9 million and \$32.0 million for fiscal years 2010 and 2009, respectively. Budgetary resources consisted of \$0.4 million and \$1.0 million of prior year unobligated balances, \$1.2 million and \$1.6 million of recoveries of prior year unpaid obligations, and \$25.3 million and \$29.4 million of current year budget authority. Outlays of \$14.3 million for both fiscal years 2010 and 2009 consisted of \$12.0 million and \$13.9 million from appropriated sources and \$2.3 million and \$0.4 million from non-appropriated sources for fiscal years 2010 and 2009, respectively. 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, 2010 and 2009

	<u>FY 2010</u>	<u>FY 2009</u>
<b>ASSETS</b>		
Entity Assets:		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	\$ 1,165,315	\$ 1,034,951
Investments (Note 3)	6,938,957	7,727,380
Accounts Receivable	166	0
Total Intragovernmental	<u>8,104,438</u>	<u>8,762,331</u>
Pledges Receivable – Donations (Note 4)	63,162	0
Property and Equipment	1,133	1,586
Prepayments (Note 5)	<u>142,700</u>	<u>471,549</u>
Total Assets	<u>\$ 8,311,433</u>	<u>\$ 9,235,466</u>
<b>LIABILITIES</b>		
Intragovernmental Liabilities		
Accounts Payable and Accrued Funded Payroll Benefits	\$ 104,945	\$ 160,080
Advances from Others	190,890	406,729
Total Intragovernmental	<u>295,835</u>	<u>566,809</u>
Accounts Payable and Accrued Funded Payroll Benefits	1,810,794	1,136,589
Unfunded Annual and Compensatory Leave	<u>62,279</u>	<u>64,978</u>
Total Liabilities	<u>\$ 2,168,908</u>	<u>\$ 1,768,376</u>
<b>NET POSITION</b>		
Cumulative Results of Operations - Earmarked	<u>6,142,525</u>	<u>7,467,090</u>
Total Net Position	<u>6,142,525</u>	<u>7,467,090</u>
Total Liabilities and Net Position	<u>\$ 8,311,433</u>	<u>\$ 9,235,466</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, 2010 and 2009

	FY 2010	FY 2009
Net Costs by Program Area:		
Program Costs	\$ 14,928,614	\$ 14,643,577
Less Earned Revenue	0	0
Net Costs of Operations	14,928,614	14,643,577

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, 2010 and 2009

	FY 2010		FY 2009	
	<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>
<b>Cumulative Results of Operations</b>				
Beginning Balances	\$ 7,467,090	0	\$ 6,939,700	0
<b>Budgetary Financing Sources</b>				
Appropriations Received		12,000,000	0	13,900,000
Other Adjustments			0	0
Appropriations Used	12,000,000	(12,000,000)	13,900,000	(13,900,000)
Non-Exchange Revenue	314,386		328,876	0
Donations Cash or Securities	625,912		412,724	0
Other financing sources	586,839	0	472,237	
<b>Other Financing Sources</b>				
Imputed Financing from costs absorbed by others (Note 8)	76,912		57,130	0
<b>Total Financing Sources</b>	13,604,049	0	15,170,967	0
<b>Net Costs of Operations</b>	(14,928,614)		(14,643,577)	0
<b>Net Change</b>	(1,324,565)		527,390	
<b>Net Position, Ending</b>	\$ 6,142,525	0	\$ 7,467,090	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, 2010 and 2009

	FY 2010	FY 2009
<b>Budgetary Resources (see Note 11)</b>		
Unobligated Balance, brought forward , October 1	\$ 446,273	\$ 1,021,753
Recoveries of prior year obligations	1,153,534	1,647,521
<b>Budget Authority</b>		
Appropriation (see Note 11)	25,664,289	29,032,157
Spending authority from offsetting collections		
Earned		
Collected	19,832	42,354
Change in receivables from Federal Sources	166	(1,615)
Advance Received	( 406,729)	286,763
Subtotal budget authority	25,277,558	29,359,659
Permanently not available	0	0
<b>Total Budgetary Resources</b>	<b>\$ 26,877,365</b>	<b>\$ 32,028,933</b>
<b>Status of Budgetary Resources</b>		
Obligations Incurred:		
Direct	\$ 26,119,565	\$ 31,582,660
Unobligated balance-Exempt from Apportionment	757,800	446,273
<b>Total Status of Budgetary Resources</b>	<b>\$ 26,877,365</b>	<b>\$ 32,028,933</b>
<b>Change in Obligated Balance:</b>		
Obligated Balance, Net		
Unpaid obligations, brought forward, October 1	\$ 8,265,678	\$ 6,823,880
Less: Uncollected customer payments from Federal sources, brought Forward October 1	0	(1,615)
Total unpaid obligated balance, net	8,265,678	6,822,265
Obligations Incurred	26,119,565	31,582,660
Less: Gross outlays	(25,926,028)	(28,493,341)
Less: Recoveries of prior-year unpaid obligations	(1,153,534)	(1,647,521)
Change in uncollected customer payments from Federal sources	(166)	1,615
Obligated Balance, Net, End of Period		
Unpaid obligations	7,305,681	8,265,678
Less: Uncollected customer payments from Federal sources	(166)	0
Total, unpaid obligated balance, net end of period	7,305,515	8,265,678
<b>Net Outlays</b>		
Gross Outlays	25,926,027	28,493,341
Less: Offsetting Collections	386,897	(329,117)
Less: Distributed Offsetting Receipts	(12,000,000)	(13,900,000)
Net Outlays	\$ 14,312,924	\$ 14,264,224

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, 2010 and 2009

<b>Note 1. Summary of Significant Accounting Policies</b>
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**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 2010 and 2009. 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**

	2010	2009
OWLC Funds Originally from Appropriations	\$ 444,313	\$207,244
Gift Funds	721,002	827,707
<b>Total</b>	<b><u>\$1,165,315</u></b>	<b><u>\$1,034,951</u></b>

Status of Fund Balance with Treasury:	2010	2009
Unobligated Balances – Available	\$0	\$0
Obligated Balances - Unavailable	1,165,315	1,034,951
<b>Total</b>	<b><u>\$1,165,315</u></b>	<b><u>\$1,034,951</u></b>

**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 \$6,938,957 and \$7,727,380 for fiscal years 2010 and 2009. Average annual investment rates were 2.5% and 3.344% in fiscal years 2010 and 2009.

	2010	2009
Face Value	\$6,898,000	\$7,677,000
Interest Receivable	40,957	50,380
Investments, Net	<u>\$6,938,957</u>	<u>\$7,727,380</u>

**Note 4. Pledges Receivable**

The Argyros Foundation pledged \$500,000 to the Center, of that amount, \$436,667 was received, and \$63,333 is due next fiscal year; discounted amount is \$63,162.

**Note 5. 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 2010 and 2009, \$142,700 and \$471,549 had been paid to but not yet used by these organizations to carry out their services.

**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**

	2010	2009
Liabilities Covered By Budgetary Resources	\$2,106,629	\$1,703,398
Liabilities Not Covered By Budgetary Resources:		
Intragovernmental	0	0
Other	62,279	64,978
Total	<u>\$2,168,908</u>	<u>\$1,768,376</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.

<b>Note 8. Imputed Financing Sources</b>
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An imputed financing source of \$76,912 and \$57,130 was recognized for partial funding of employee benefit costs incurred on behalf of the Center by the Office of Personnel Management in fiscal years 2010 and 2009, respectively.

<b>Note 9. Total Cost and Earned Revenue by Budget Functional Classification</b>
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	2010	2009
Total Cost by Function Classification:		
Education, Training, Employment and Social Services	\$14,928,614	\$14,643,577

<b>Note 10. Total Cost by Program Activity</b>
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	2010	2009
Intragovernmental Costs	\$ 721,049	\$1,017,701
Public Costs	14,207,565	13,625,876
Total Program Costs	<u>\$14,928,614</u>	<u>\$14,643,577</u>

<b>Note 11. Budgetary Resources</b>
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The Center’s General Fund received appropriations of \$12,000,000. 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 \$12,000,000 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 following presentation is designed to assist the reader in understanding that the actual appropriation for fiscal years 2010 and 2009 were \$12,000,000 and \$13,900,000, respectively.

	FY 2010			FY 2009		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b>Budgetary Resources:</b>						
Unobligated Balance, Brought Forward, October 1	\$ 0	\$ 446,273	\$ 446,273	\$ 0	\$ 1,021,753	\$ 1,021,753
Recoveries of Prior-Year Obligations	0	1,153,534	1,153,534	0	1,647,521	1,647,521
<b>Budget Authority:</b>						
Appropriation	12,000,000	13,664,289	25,664,289	13,900,000	15,132,157	29,032,157
<i>Spending Authority from Offsetting Collections:</i>						
<i>Earned:</i>						
Collected	0	19,832	19,832	0	42,354	42,354
Change in Receivables from Federal Sources	0	166	166	0	(1,615)	(1,615)
<i>Change in Unfilled Customer Orders:</i>						
Advances Received Without Advances from Federal Sources	0	(406,729)	(406,729)	0	286,763	286,763
Expenditure Transfers from Trust Funds						
<b>Subtotal Budget Authority</b>	<b>12,000,000</b>	<b>13,277,558</b>	<b>25,277,558</b>	<b>13,900,000</b>	<b>15,459,659</b>	<b>29,359,659</b>
Nonexpenditure Transfers, Net						
Temporarily Not Available Pursuant to Public Law						
Permanently Not Available	0	0	0	0	0	0
<b>Total Budgetary Resources</b>	<b>\$ 12,000,000</b>	<b>\$ 14,877,365</b>	<b>\$ 26,877,365</b>	<b>\$ 13,900,000</b>	<b>\$ 18,128,933</b>	<b>\$ 32,028,933</b>

<b>Status of Budgetary Resources:</b>						
<i>Obligations Incurred:</i>						
Direct	\$ 12,000,000	\$ 14,119,565	\$ 26,119,565	\$ 13,900,000	\$ 17,682,660	\$ 31,582,660
Reimbursable						
<b>Total Obligations Incurred</b>	<b>12,000,000</b>	<b>14,119,565</b>	<b>26,119,565</b>	<b>13,900,000</b>	<b>17,682,660</b>	<b>31,582,660</b>
Unobligated Balance (Exempt from Apportionment)	0	757,800	757,800	0	446,273	446,273
Unobligated Balance – Not Available						
<b>Total Status of Budgetary Resources</b>	<b>\$ 12,000,000</b>	<b>\$ 14,877,365</b>	<b>\$ 26,877,365</b>	<b>\$ 13,900,000</b>	<b>\$ 18,128,933</b>	<b>\$ 32,028,933</b>
<b>Change in Obligated Balance:</b>						
<i>Unpaid Obligated Balance, Net, Brought Forward, October 1:</i>						
Unpaid Obligations, Brought Forward	\$ 0	\$ 8,265,678	\$ 8,265,678	\$ 0	\$ 6,823,880	\$ 6,823,880
Less: Uncollected Customer Payments, Brought Forward	0	0	0	0	(1,615)	(1,615)
<b>Total Unpaid Obligation Balance, Net</b>	<b>0</b>	<b>8,265,678</b>	<b>8,265,678</b>	<b>0</b>	<b>6,822,265</b>	<b>6,822,265</b>
Obligations Incurred, net	12,000,000	14,119,565	26,119,565	13,900,000	17,682,660	31,582,660
Less: Gross Outlays	(12,000,000)	(13,926,028)	(25,926,028)	(13,900,000)	(14,593,341)	(28,493,341)
Less: Recoveries of Prior-Year Unpaid Obligations	0	(1,153,534)	(1,153,534)	0	(1,647,521)	(1,647,521)
Change in Uncollected Customer Payments from Federal Sources	0	(166)	(166)	0	1,615	1,615
<b>Total Unpaid Obligated Balance, Net:</b>						
Unpaid Obligations	0	7,305,681	7,305,681	0	8,265,678	8,265,678
Less: Uncollected Customer Payments from Federal Sources	0	(166)	(166)	0	0	0
<b>Total Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 0</b>	<b>\$ 7,305,515</b>	<b>\$ 7,305,515</b>	<b>\$ 0</b>	<b>\$ 8,265,678</b>	<b>\$ 8,265,678</b>
<b>Net Outlays:</b>						
Gross Outlays	\$ 12,000,000	\$ 13,926,027	\$ 25,926,027	\$ 13,900,000	\$ 14,593,341	\$ 28,493,341
Less: Offsetting Collections	0	386,897	386,897	0	(329,117)	(329,117)
Less: Distributed Offsetting Intradudgetary Receipts	0	(12,000,000)	(12,000,000)	0	(13,900,000)	(13,900,000)
<b>Total Net Outlays</b>	<b>\$ 12,000,000</b>	<b>\$ 2,312,924</b>	<b>\$ 14,312,924</b>	<b>\$ 13,900,000</b>	<b>\$ 364,224</b>	<b>\$ 14,264,224</b>

<b>Note 12. Reconciliation of Net Cost of Operations to Budget</b>
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<b>Resources Used to Finance Activities</b>	<u>FY 2010</u>	<u>FY 2009</u>
Budgetary Resources Obligated:		
Obligations Incurred	\$ 26,119,565	\$ 31,582,660
Less: Spending Authority from Offsetting Collections and Recoveries	(766,803)	(1,975,023)
Distributing Offsetting Receipts	(12,000,000)	(13,900,000)
<b>Net Obligations</b>	<u>13,352,762</u>	<u>15,707,637</u>
<b>Other Resources</b>		
Imputed Financing from Costs Absorbed by Others	76,912	57,130
<b>Total Resources Used to Finance Activities</b>	<u><b>13,429,674</b></u>	<u><b>15,764,767</b></u>
<b>Resources Used to Finance Items not Part of the Net Cost of Operations</b>		
Change in Budgetary Resources Obligated for Goods, Services and Benefits		
Ordered but not yet Provided	1,501,186	(1,092,041)
Resources that Fund Expenses in Recognized in Prior Periods	(2,699)	(29,602)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	12,000,000	13,900,000
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	(12,000,000)	(13,900,000)
<b>Total Resources Used to Finance Items not Part of the Net Cost of Operations</b>	<u><b>1,498,487</b></u>	<u><b>(1,121,643)</b></u>
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<u><b>14,928,161</b></u>	<u><b>14,643,124</b></u>
<b>Components of Net Cost of Operations that will not Require or Generate Resources</b>		
<b>In Future Periods</b>		
Components Requiring or Generating Resources in Future periods:		
Increase in Annual Leave Liability	<u>0</u>	<u>0</u>
<b>Total Components Requiring or Generating Resources in Future Periods</b>	<u><b>0</b></u>	<u><b>0</b></u>
Components not Requiring or Generating Resources:		
Depreciation and Amortization	<u>453</u>	<u>453</u>
<b>Total Components of the Net Cost of Operations that will Not Require Or Generate Resources in the Current Period</b>	<u><b>453</b></u>	<u><b>453</b></u>
<b>Net Costs of Operations</b>	<u><b>\$ 14,928,614</b></u>	<u><b>\$ 14,643,577</b></u>