

OPEN WORLD LEADERSHIP CENTER

FINANCIAL STATEMENTS FOR FISCAL YEARS 2011 AND 2010



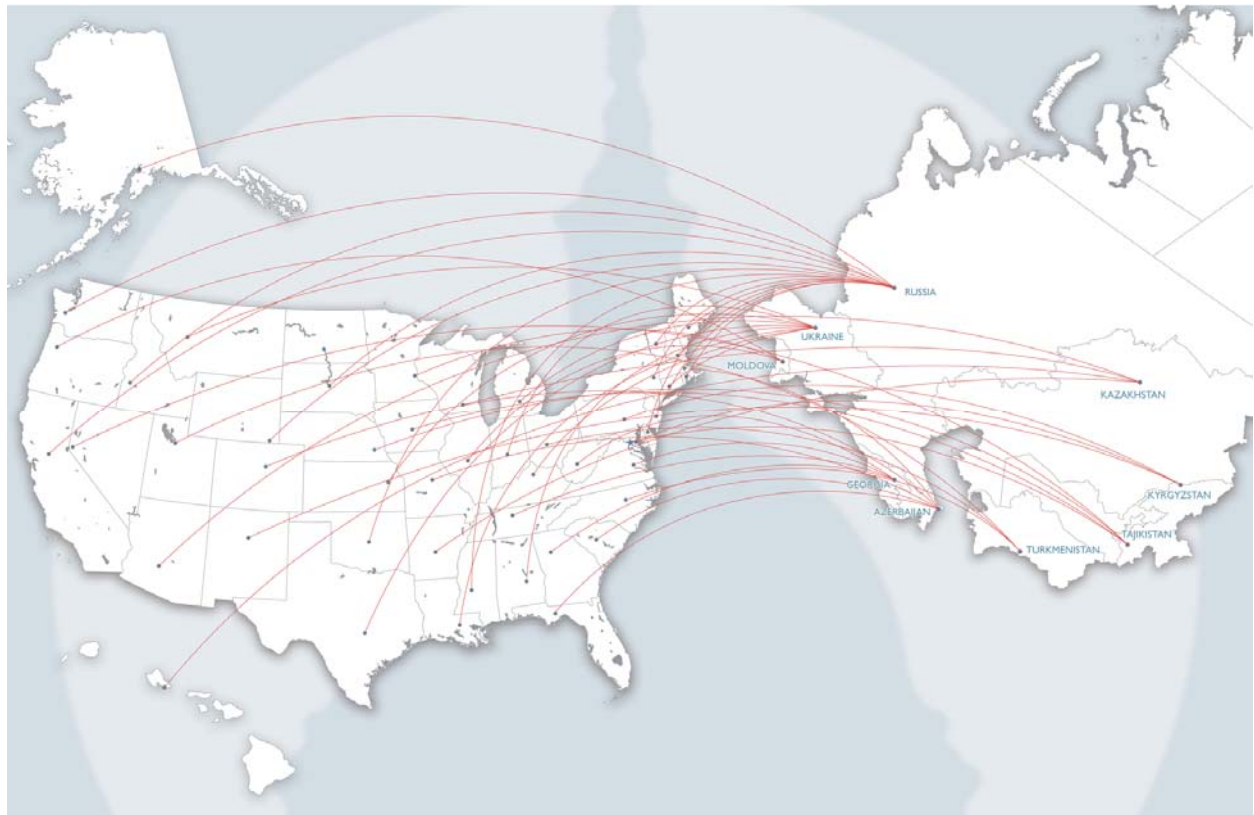
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OPEN WORLD LEADERSHIP CENTER
FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED 2011 AND 2010

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MANAGEMENT'S DISCUSSION AND ANALYSIS



OPEN WORLD LEADERSHIP CENTER
Financial Statements

For the Fiscal Years Ended September 30, 2011 and 2010

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 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 18,000 current and future leaders from Russia, Ukraine, Azerbaijan, Armenia, Georgia, Kazakhstan, Kyrgyzstan, Lithuania, Moldova, Serbia, Tajikistan, Turkmenistan 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 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. They also provide substantial cost shares to the program and form lasting professional relationships with the delegates, resulting in Open World providing one of the most cost-effective, result-driven exchange programs in the U.S. government.

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 2011 and 2010. 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 2011 and 2010.

Assets	(in millions)		Liabilities and Net Position	(in millions)	
	2011	2010		2011	2010
Intragovernmental	\$9.6	\$8.1	Intragovernmental Liabilities	\$0.1	\$0.3
Prepayments	0.1	0.1	Other Liabilities	2.1	1.9
Other	0.0	0.1	Net Position	7.5	6.1
Total Assets	\$9.7	\$8.3	Total Liabilities and Net Position	\$9.7	\$8.3

The Center's assets total \$9.7 million and \$8.3 million for fiscal years 2011 and 2010, respectively with Investments with the Department of the Treasury (Treasury) as the major item. The Center's liabilities total \$2.2 million for both fiscal years consisting of accounts payable, accrued payroll liabilities, and advances for both fiscal years.

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 2011 and 2010 were \$11.7 million and \$14.9 million, 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 increased by \$1.4 million during fiscal year 2011 due to the Center's net financing sources (\$13.1 million) exceeding its net cost of operations (\$11.7 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 Net Outlays section presents the total outlays of the Center and relates obligations incurred to total outlays.

The Center's budgetary resources were \$27.1 million and \$26.9 million for fiscal years 2011 and 2010, respectively. Budgetary resources consisted of \$0.7 million and \$0.4 million of prior year unobligated balances, \$0.7 million and \$1.2 million of recoveries of prior year unpaid obligations, and \$24.5 million and \$25.3 million of current year budget authority. Net Outlays of \$11.5 million and \$14.3 million for fiscal years 2011 and 2010 consisted of \$12.0 million from appropriated sources and (\$.5) million and \$2.3 million from non-appropriated sources for fiscal years 2011 and 2010, 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, 2011 and 2010		
	FY 2011	FY 2010
ASSETS		
Entity Assets:		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	\$ 2,223,522	\$ 1,165,315
Investments (Note 3)	7,376,540	6,938,957
Accounts Receivable	14	166
Total Intragovernmental	9,600,076	8,104,438
Pledges Receivable – Donations (Note 4)	0	63,162
Property and Equipment	680	1,133
Prepayments (Note 5)	116,222	142,700
Total Assets	\$ 9,716,978	\$ 8,311,433
LIABILITIES		
Intragovernmental Liabilities		
Accounts Payable and Accrued Funded Payroll Benefits	\$ 49,266	\$ 104,945
Advances from Others	58,095	190,890
Total Intragovernmental	107,361	295,835
Accounts Payable and Accrued Funded Payroll Benefits	2,011,231	1,810,794
Unfunded Annual and Compensatory Leave	46,954	62,279
Total Liabilities	\$ 2,165,546	\$ 2,168,908
NET POSITION		
Cumulative Results of Operations - Earmarked	7,551,432	6,142,525
Total Net Position	7,551,432	6,142,525
Total Liabilities and Net Position	\$ 9,716,978	\$ 8,311,433
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, 2011 and 2010

	FY 2011	FY 2010
Net Costs by Program Area:		
Program Costs	\$ 11,832,049	\$ 14,928,614
Less Earned Revenue	167,768	0
Net Costs of Operations	11,664,281	14,928,614

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, 2011 and 2010

	FY 2011		FY 2010	
	<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	\$ 6,142,525	0	\$ 7,467,090	0
Budgetary Financing Sources				
Appropriations Received	0	11,400,000	0	12,000,000
Appropriations Transferred in/out	0	1,120,000	0	0
Other Adjustments	0	(22,800)	0	0
Appropriations Used	12,497,200	(12,497,200)	12,000,000	(12,000,000)
Non-Exchange Revenue	193,705	0	314,386	0
Donations Cash or Securities	175,396	0	625,912	0
Other financing sources	132,796	0	586,839	0
Other Financing Sources				
Imputed Financing from costs absorbed by others (Note 8)	74,091	0	76,912	0
Total Financing Sources	13,073,188	0	13,604,049	0
Net Costs of Operations	(11,664,281)	0	(14,928,614)	0
	1,408,907		(1,324,565)	
Net Change				
Net Position, Ending	\$ 7,551,432	0	\$ 6,142,525	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, 2011 and 2010

	FY 2011	FY 2010
Budgetary Resources (see Note 11)		
Unobligated Balance, brought forward , October 1	\$ 757,800	\$ 446,273
Recoveries of prior year obligations	704,452	1,153,534
Budget Authority		
Appropriation (see Note 11)	23,936,554	25,664,289
Spending authority from offsetting collections		
Earned		
Collected	3,886	19,832
Change in receivables from Federal Sources	499,848	166
Advance Received	58,095	(406,729)
Subtotal budget authority	24,498,383	25,277,558
Non expenditure transfers, net	1,120,000	0
Permanently not available	(22,800)	0
Total Budgetary Resources	\$ 27,057,835	\$ 26,877,365
Status of Budgetary Resources		
Obligations Incurred:		
Direct	\$ 25,854,730	\$ 26,119,565
Unobligated balance-Exempt from Apportionment	1,203,105	757,800
Total Status of Budgetary Resources	\$ 27,057,835	\$ 26,877,365
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid obligations, brought forward, October 1	\$ 7,305,681	\$ 8,265,678
Less: Uncollected customer payments from Federal sources, brought Forward October 1	(166)	0
Total unpaid obligated balance, net	7,305,515	8,265,678
Obligations Incurred	25,854,730	26,119,565
Less: Gross outlays	(23,602,527)	(25,926,028)
Less: Recoveries of prior-year unpaid obligations	(704,452)	(1,153,534)
Change in uncollected customer payments from Federal sources	(499,848)	(166)
Unpaid obligations	8,853,432	7,305,681
Less: Uncollected customer payments from Federal sources	(500,014)	(166)
Total, unpaid obligated balance, net end of period	8,353,418	7,305,515
Net Outlays		
Gross Outlays	23,602,527	25,926,027
Less: Offsetting Collections	(61,981)	386,897
Less: Distributed Offsetting Receipts	(11,997,200)	(12,000,000)
Net Outlays	\$ 11,543,346	\$ 14,312,924

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, 2011 and 2010

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 the 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).

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 2011 and 2010. 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.

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

	2011	2010
OWLC Funds Originally from Appropriations	\$1,378,812	\$444,313
Gift Funds	844,710	721,002
Total	<u>\$2,223,522</u>	<u>\$1,165,315</u>

Status of Fund Balance with Treasury:	2011	2010
Unobligated Balances – Available	\$ 0	\$ 0
Obligated Balances - Unavailable	2,223,522	1,165,315
Total	<u>\$2,223,522</u>	<u>\$1,165,315</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 \$7,376,540 and \$6,938,957 for fiscal years 2011 and 2010. Average annual investment rates were 2.313% and 2.5% in fiscal years 2011 and 2010.

	2011	2010
Face Value	\$7,333,000	\$6,898,000
Interest Receivable	43,540	40,957
Investments, Net	<u>\$7,376,540</u>	<u>\$6,938,957</u>

Note 4. Pledges Receivable

The Argyros Foundation remaining pledge balance of \$63,162 was received in fiscal year 2012.

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 2011 and 2010, \$116,222 and \$142,700 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

	2011	2010
Liabilities Covered By Budgetary Resources	\$2,118,592	\$2,106,629
Liabilities Not Covered By Budgetary Resources:		
Intragovernmental	0	0
Other	46,954	62,279
Total	<u>\$2,165,546</u>	<u>\$2,168,908</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 \$74,091 and \$76,912 was recognized for partial funding of employee benefit costs incurred on behalf of the Center by the Office of Personnel Management in fiscal years 2011 and 2010, respectively.

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

	2011	2010
Total Cost by Function Classification:		
Education, Training, Employment and Social Services	\$11,832,049	\$14,928,614
Less: Earned Revenue	167,768	0
Net Program Costs	<u>\$11,664,281</u>	<u>\$14,928,614</u>

Note 10. Total Cost by Program Activity

	2011	2010
Intragovernmental Costs	\$ 698,913	\$721,049
Public Costs	11,133,136	14,207,565
Total Program Costs	<u>\$11,832,049</u>	<u>\$14,928,614</u>

Note 11. Budgetary Resources

The Center's General Fund received appropriations of \$12,497,200 which consist of appropriations received \$11,400,000; an appropriation transfer, \$1,120,000 and a \$22,800 rescission. 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 \$12,497,200 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 2011 and 2010 were \$12,497,200 and \$12,000,000, respectively:

	FY 2011			FY 2010		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<i>Budgetary Resources:</i>						
Unobligated Balance, Brought Forward, October 1	\$ 0	\$ 757,800	\$ 757,800	\$ 0	\$ 446,273	\$ 446,273
Recoveries of Prior-Year Obligations	0	704,452	704,452	0	1,153,534	1,153,534
<i>Budget Authority:</i>						
Appropriation	11,400,000	12,536,554	23,936,554	12,000,000	13,664,289	25,664,289
<i>Spending Authority from Offsetting Collections:</i>						
<i>Earned:</i>						
Collected	0	3,886	3,886	0	19,832	19,832
Change in Receivables from Federal Sources	0	499,848	499,848	0	166	166
<i>Change in Unfilled Customer Orders:</i>						
Advances Received Without Advances from Federal Sources	0	58,095	58,095	0	(406,729)	(406,729)
Expenditure Transfers from Trust Funds						
Subtotal Budget Authority	11,400,000	13,098,383	24,498,383	12,000,000	13,277,558	25,277,558
Nonexpenditure Transfers, Net	1,120,000		1,120,000			
Temporarily Not Available Pursuant to Public Law						
Permanently Not Available	(22,800)	0	(22,800)	0	0	0
Total Budgetary Resources	\$ 12,497,200	\$ 14,560,635	\$ 27,057,835	\$ 12,000,000	\$ 14,877,365	\$ 26,877,365

	FY 2011			FY 2010		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Status of Budgetary Resources:						
<i>Obligations Incurred:</i>						
Direct	\$ 12,497,200	\$ 13,357,530	\$ 25,854,730	\$ 12,000,000	\$ 14,119,565	\$ 26,119,565
Reimbursable						
Total Obligations Incurred	12,497,200	13,357,530	25,854,730	12,000,000	14,119,565	26,119,565
Unobligated Balance (Exempt from Apportionment)	0	1,203,105	1,203,105	0	757,800	757,800
Unobligated Balance – Not Available						
Total Status of Budgetary Resources	\$ 12,497,200	\$ 14,560,635	\$ 27,057,835	\$ 12,000,000	\$ 14,877,365	\$ 26,877,365
Change in Obligated Balance:						
<i>Unpaid Obligated Balance, Net, Brought Forward, October 1:</i>						
Unpaid Obligations, Brought Forward	\$ 0	\$ 7,305,681	\$ 7,305,681	\$ 0	\$ 8,265,678	\$ 8,265,678
Less: Uncollected Customer Payments, Brought Forward	0	(166)	(166)	0	0	0
Total Unpaid Obligation Balance, Net	0	7,305,515	7,305,515	0	8,265,678	8,265,678
Obligations Incurred, net	12,497,200	13,357,530	25,854,730	12,000,000	14,119,565	26,119,565
Less: Gross Outlays	(11,997,200)	(11,605,327)	(23,602,527)	(12,000,000)	(13,926,028)	(25,926,028)
Less: Recoveries of Prior-Year Unpaid Obligations	0	(704,452)	(704,452)	0	(1,153,534)	(1,153,534)
Change in Uncollected Customer Payments from Federal Sources	0	(499,848)	(499,848)	0	(166)	(166)
Total Unpaid Obligated Balance, Net:						
Unpaid Obligations	500,000	8,353,432	8,853,432	0	7,305,681	7,305,681
Less: Uncollected Customer Payments from Federal Sources	0	(500,014)	(500,014)	0	(166)	(166)
Total Unpaid Obligated Balance, Net, End of Period	\$ 500,000	\$ 7,853,418	\$ 8,353,418	\$ 0	\$ 7,305,515	\$ 7,305,515
Net Outlays:						
Gross Outlays	\$ 11,997,200	\$ 11,605,327	\$ 23,602,527	\$ 12,000,000	\$ 13,926,027	\$ 25,926,027
Less: Offsetting Collections	0	(61,981)	(61,981)	0	386,897	386,897
Less: Distributed Offsetting Intradudgetary Receipts	0	0	0	0	0	0
		(11,997,200)	(11,997,200)		(13,900,000)	(13,900,000)
Total Net Outlays	\$ 11,997,200	\$ (453,854)	\$ 11,543,346	\$ 12,000,000	\$ 2,312,924	\$ 14,312,924

Note 12. Reconciliation of Net Cost of Operations to Budget
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Resources Used to Finance Activities	<u>FY 2011</u>	<u>FY 2010</u>
Budgetary Resources Obligated:		
Obligations Incurred	\$ 25,854,730	\$ 26,119,565
Less: Spending Authority from Offsetting Collections and Recoveries	(1,266,281)	(766,803)
Distributing Offsetting Receipts	(11,997,200)	(12,000,000)
Net Obligations	<u>12,591,249</u>	<u>13,352,762</u>
Other Resources		
Imputed Financing from Costs Absorbed by Others	74,091	76,912
Total Resources Used to Finance Activities	<u>12,665,340</u>	<u>13,429,674</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	(818,419)	1,501,186
Resources that Fund Expenses in Recognized in Prior Periods	(15,325)	(2,699)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations	11,997,200	12,000,000
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	(12,164,968)	(12,000,000)
Total Resources Used to Finance Items not Part of the Net Cost of Operations	<u>(1,001,512)</u>	<u>1,498,487</u>
Total Resources Used to Finance the Net Cost of Operations	<u>11,663,828</u>	<u>14,928,161</u>
Components not Requiring or Generating Resources:		
Depreciation and Amortization	453	453
Total Components of the Net Cost of Operations that will Not Require Or Generate Resources in the Current Period	<u>453</u>	<u>453</u>
Net Costs of Operations	<u>\$ 11,664,281</u>	<u>\$ 14,928,614</u>