



OFFICE OF INSPECTOR GENERAL

AUDIT OF THE UNITED STATES AFRICAN DEVELOPMENT FOUNDATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2015 AND 2014

AUDIT REPORT NO. 0-ADF-16-002-C
NOVEMBER 16, 2015

WASHINGTON, D.C.



Office of Inspector General

November 16, 2015

Shari Berenbach
President
U.S. African Development Foundation
1400 I Street, NW, Suite 1000
Washington, D.C. 20005-2248

Dear Ms. Berenbach,

Enclosed is the final version of the audit report prepared by the certified public accounting firm of Brown & Company CPAs PLLC on the financial statements as of September 30, 2015, and 2014 of the U.S. African Development Foundation (ADF) (Report No. 0-ADF-16-002-C). OIG contracted with this independent auditor to audit the financial statements.

The audit objective was to determine whether ADF's financial statements presented fairly, in all material respects, ADF's financial position as of September 30, 2015, and its net cost, changes in net position, budgetary resources, and custodial activity for the year ended September 30, 2015, in accordance with accounting principles generally accepted in the United States. To answer the audit objective, the independent auditor expressed an unmodified opinion on ADF's fiscal year 2015 financial statements and notes. The financial statements as of and for the year ended September 30, 2014, were audited by other auditors, whose report, dated November 6, 2014, expressed an unmodified opinion on those statements.

According to Brown & Company, this audit was conducted in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issued by the U.S. Comptroller General; and the Office of Management and Budget Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements." Brown & Company is responsible for the enclosed auditor's report and the conclusions expressed in it.

In carrying out our oversight responsibilities, OIG reviewed the report and related audit documentation to determine whether Brown & Company complied with applicable standards. Our review was different from an audit in accordance with those standards and was not intended to enable us to express, and we do not express, an opinion. Our review did not disclose any instances in which Brown & Company did not comply, in all material respects, with applicable standards.

The audit concluded that ADF has no material weaknesses or significant deficiencies in internal control over financial reporting and no instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements.

OIG appreciates the cooperation and courtesies extended to our staff and Brown & Company's employees during the engagement.

Sincerely,

/s/

Alvin A. Brown
Deputy Assistant Inspector General for
Audit Office of Inspector General

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION
PERFORMANCE AND ACCOUNTABILITY REPORT,
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2015 AND 2014



Prepared By
Brown & Company CPAs Management Consultants, PLLC
November 6, 2015

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION



FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

TABLE OF CONTENTS

AGENCY HEAD MESSAGE

MANAGEMENT DISCUSSION AND ANALYSIS.....	1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	18
BALANCE SHEET	22
STATEMENTS OF NET COST	23
STATEMENTS OF CHANGES IN NET POSITION	24
STATEMENTS OF BUDGETARY RESOURCES.....	25
STATEMENTS OF CUSTODIAL ACTIVITY.....	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	27



November 6, 2015

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2015 Performance and Accountability Report for the U.S. African Development Foundation (USADF). USADF is committed to achieving the highest levels of effective and efficient operations, full transparency and accountability in financial reporting, and full compliance with all applicable laws and regulations.

USADF has a unique African-led development mission in the Federal government. Foundation grants connect community enterprises with seed capital and technical support delivered by a network of local advisors. This empowers those who are least served by existing markets and development assistance to become part of Africa's growth story.

USADF grants result in increased food security and economic growth for more than one million people across Africa. Further, USADF is pleased to be a part of other "whole of government" initiatives in Africa, including: Feed the Future, Power Africa, the President's Young African Leaders Initiative and the Trade and Investment Capacity Building Initiative. USADF ensures that the benefits of these programs reach Africa's underserved.

Consistent with our commitment to African-led development, USADF's African field operations are 100% staffed by Africans. Not only does this deepen local capacity, but it allows USADF to support hard to reach communities, delivering economic opportunities in post-conflict environments and furthering US strategic interests of peace and security.

USADF is dedicated to creating pathways to prosperity for underserved communities across Africa. Our mission is as applicable today, if not more so, than when USADF was founded in 1980. We look forward to continued cooperation with Congress, U.S. Government agencies, and friends and experts throughout the African development community.

Signed:

/s/

Shafi Berenbach
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

History and Relevance Today

The U.S. Congress established USADF in 1980 to give greater ownership of the development process to Africans as a way to achieve more sustainable results. It was a forward looking legislative act that understood that country-led foreign assistance could attain more cost-effective and lasting development impact. The ADF Act stipulated both USADF's organizational size¹ and maximum amounts for individual grants (\$250,000), creating a smaller, more focused and flexible foreign assistance tool than existed elsewhere. This structure allows for USADF to respond with greater precision and speed to pressing development needs facing Africa today (see page 39 for a full copy of the ADF Act).

Today, USADF remains the only U.S. foreign assistance effort exclusively dedicated to development activities in Africa. Since 1980, USADF has worked in more than 32 countries and has invested more than \$275 million in African initiated and led development projects. USADF projects are designed to improve economic and social conditions for underserved communities in conflict and post conflict regions across Africa. These grants have had an estimated cumulative impact on more than 5.4 million workers and family members by stimulating \$0.5 billion of increased economic activities in more than 1,600 rural communities across Africa.

In recent years, African economies have been experiencing rapid economic growth. Yet despite these gains, millions of people are still living in extreme hunger and poverty². Even with an increased emphasis on development in Africa, the reality is that many people living on \$1.25 per day or less receive the least amount of development support. USADF grants engage those communities that are not a part of the mainstream³ of Africa's economic growth. USADF's unique mandate provides it with the flexibility to adapt to the changing needs of different African countries and to play a leading role in modeling the best development practices that help grassroots communities gain a greater share of Africa's economic growth.

USADF Strategic Fundamentals

What	USADF supports African-led development that grows community enterprises by providing seed capital and technical support. This empowers those who are least served by existing markets or assistance programs to become a part of Africa's growth story.
Where	"hard to reach communities beyond Africa's growth frontier" <ul style="list-style-type: none">• Conflict and Post Conflict Countries• Communities not achieving economic growth
Who	"those who are presently underserved but ready to do their part" <ul style="list-style-type: none">• Smallholder Farmers• Youth, Women and Girls• Recovering Communities
How	"connecting community enterprises with capital and technical support" <ul style="list-style-type: none">• Building a network of African expert support providers• Identifying community enterprises with potential• Providing an integrated package of support• Managing for results

¹ USADF Washington Headquarters operates with only 35 full time staff equivalents, well below the mandated cap of 75 employees.

² 60% of Africans live in rural communities and account for 70% of Africa's poverty.

³ Mainstream economic growth sectors are dominated by extractive industries (e.g. oil, precious metals, and mineral) and the information and communications sectors.

USADF People

USADF programs and grants reach four groups of people currently underserved but ready to do their part. More than 60% of Africa's population are rural based, small-holder farmers and account for 70% of Africa's extremely poor population. While needy, many groups have access to valuable and potentially highly productive, pesticide free, arable land masses. USADF grants help these communities unlock the potential of this valuable asset.

Smallholder Farmers – are the backbone of economic activity on the Continent, contributing more than half of its GDP and comprising nearly 70% of its labor force. They face enormous challenges in securing land rights, accessing to agriculture technology, farm inputs and capital, and entering functioning markets.

Youth – between 15 and 30 years represent a population dividend for many countries in Africa. For success across the Continent, Africa needs to create economic and entrepreneurship opportunities for 200 million youth, which will provide a path forward from instability toward prosperity.

Women and Girls – often bear the brunt of extreme poverty. They face challenges in education, property rights and economic opportunity. They are often victims of violence and cultural discrimination. Given the right opportunities, women entrepreneurs can lead the way out of poverty for themselves, their children, and their communities.

Recovering Communities – are populations facing hardships created by external factors, from conflict to natural disasters. These communities are eager to restore normal life and work hard to achieve economic independence once opportunities are presented.

USADF Projects

USADF achieves development success by identifying producer groups with potential, linking them with local Technical Partners, and funding their proposed solutions. This powerful combination acts as a catalyst to transform underachieving producer groups into thriving business-oriented enterprises. Additionally, the Technical Partners themselves become long-term development assets within their countries, and often play an important role in advancing broader national and international development priorities.

Increasing Yield, Nutrition And Income For Burundi Farmers – USADF supports rural farmers by making available local technical advisors who introduce new skills in food production, animal husbandry, and business operations. In Burundi, USADF funding was used to introduce a new potato variety and improve farm practices to increase yields. To make the most of the bumper crop, the farmer association used local materials to construct a storage facility. This reduced post-harvest losses and permitted farmers to sell their harvest when it could command top dollar. From the profits, the farmers acquired dairy cows that improved nutrition for their children. As milk production increased, households were able to supplement income through milk sales.

Supporting Employment For Somali Youth – Unemployment among Somali youth is one of the highest in the world, posing a great threat to the country. In 2012, USADF began funding youth training and employment programs for more than 2,500 youth that helped create job placement or self-employment opportunities. The program conducts market studies to determine the local demand for skilled labor, develops and delivers tailored training, and then links qualified candidates with hiring businesses. In the program's first year, 85% of the young men and women in the program succeeded in gaining employment

or starting their own small businesses. USADF has funded more than 15 youth job training and placement programs in Somalia.

Creating Exports For Coffee Farmers – Coffee farmers in Bukonzo in western Uganda grow some of the finest coffee beans in the world. A USADF grant helped a 3,500 member cooperative—85% of whom are women—export organic, fair-trade certified Arabica coffee overseas. USADF supported the construction of a 200-ton capacity storage facility, installed motorized coffee-processing pulpers, and purchased a 25-ton truck to transport coffee to Kampala. In the first two years, farmers secured contracts to export coffee to Japan and the United States. More than 125,000 pounds of coffee have been exported since 2011. Today, the cooperative is an award winner, producing for the global market. Women are fully involved in the cooperative’s decision-making and financial planning.

Bringing Electricity To Underserved and Rural Communities – USADF, GE Africa and USAID have partnered to create the Off-Grid Energy Challenge, providing \$100,000 grants to local Energy Entrepreneurs delivering renewable energy solutions to underserved communities. Since its launch in FY 2013 USADF has already awarded 28 awards of \$100,000 each with more than half of the funding coming from external partners. One recent winner, Afrisol Energy Limited, is turning human waste into energy, partnering with the Kwa Njenga Primary School on the edge of Nairobi’s Mukuru slum. Afrisol is installing a bio-digester that will source sludge from the school’s latrines and nearby public facilities. Electricity generated by the bio-digester will light up the school and the surrounding community, making it a brighter and safer day for the 2,000 students at the school, micro-enterprises, and the hundreds of slum residents living beyond the grid.

USADF Impacts

USADF programs deliver results that increase local food production, grow income levels, and improve livelihoods. By connecting community enterprises with capital and local technical support, USADF ensures that thousands of people in the most underserved communities in Africa are given a real opportunity to improve the quality of their lives and benefit from the new era of accelerated economic growth across Africa. These people and their communities benefit in practical ways from the more than \$140 million of new economic activities generated in their communities as a result of USADF grants. They are part of Africa’s emerging growth story.

USADF achieves impact in three primary dimensions. Today, USADF’s active portfolio of 325 grants is impacting more than **1.3 million people** affected by extreme poverty. Second, USADF grants help generate more than **\$140 million of new economic growth⁴** in poor communities. The new economic activity represents new revenues, over and above the amounts of revenues the groups had earned before the USADF grant. Thirdly, USADF grants help producer groups become ongoing economic growth enterprises. USADF measures that **80% of community enterprises funded with USADF grants continue** to operate and generate income for their members.

⁴ Estimated value the current active grant portfolio will generate over the full life cycle of each grant. Calculated from an annual review of performance data that tracks and averages the cumulative incremental revenue growth of each grant divided by the cumulative grant value disbursed times the total value of the active grant portfolio.

A Foreign Assistance Model with a Difference

Direct Funding to African Producer Groups

The USADF model cuts out traditional, and inefficient, “middle-man” development cost structures and delivers grant funds directly to the grassroots groups closest to the problem. USADF also provides seed capital grants directly to local Energy Entrepreneurs and youth to support their start-up enterprises. They are the long-term owners of the solution. This approach adds speed and efficiencies to the development process.

All African Staff and Partners

USADF’s development model uses only local technical services providers for grant design and associated grant implementation support. Two benefits of the model are lower delivery costs⁵ and better projects. Utilizing people with local language skills and knowledge helps to stimulate greater local ownership of solutions and ensure that projects better account for local conditions. Beyond specific project benefits, USADF investment in local technical service providers help to build long term, resident development expertise in each African country where it works. Many former USADF partners and country program coordinators have gone on to serve in significant public sector roles within their countries.

Increased Effectiveness through Better USG Coordination

USADF has made it a priority to increase coordination and resources sharing with other USG foreign assistance efforts. In FY 2014 and FY 2015 combined, USAID transferred \$1.1 million to USADF. This permitted USADF to extend the Off-Grid Challenge to more countries, and to deepen activity levels in Tanzania. In early FY 16 USAID is scheduled to transfer an additional \$1.0 million to bring the Challenge to Rwanda, Uganda and Zambia.

In other instances, USADF has co-funded activities that are executed in tandem with the State Department. For the past four years, USADF has supplemented and expanded the successful U.S. Embassies’ Self-Help Grants program. In addition to benefitting smaller, community projects, this provides the U.S. Ambassadors with excellent diplomatic and relationship-building opportunities. Aligning our grant-making with the local Embassies has created a win/win for USADF and for US Ambassadors. Utilizing USADF’s modest resources, collaboration with the US Embassies allows USADF to scale our operations beyond our historical footprint maximizing the impact of public resources.

Increased Efficiencies to Maximize AID Impacts

USADF seeks to achieve operational efficiencies to maximize the impact of its development assistance to advance Administration Priorities. Based on recent independent assessments, USADF achieved superior performance ratings in the category of “maximizing (AID) efficiency”.

Over the past several years the Center for Global Development has prepared annual reports on the *Quality of Official Development Assistance* (QuODA). These reports examine the “efficiencies” of 100 plus multilateral and country assistance programs⁶, assessing the quality of Official Development Assistance (ODA) against a common set of thirty indicators that assess diverse features such as:

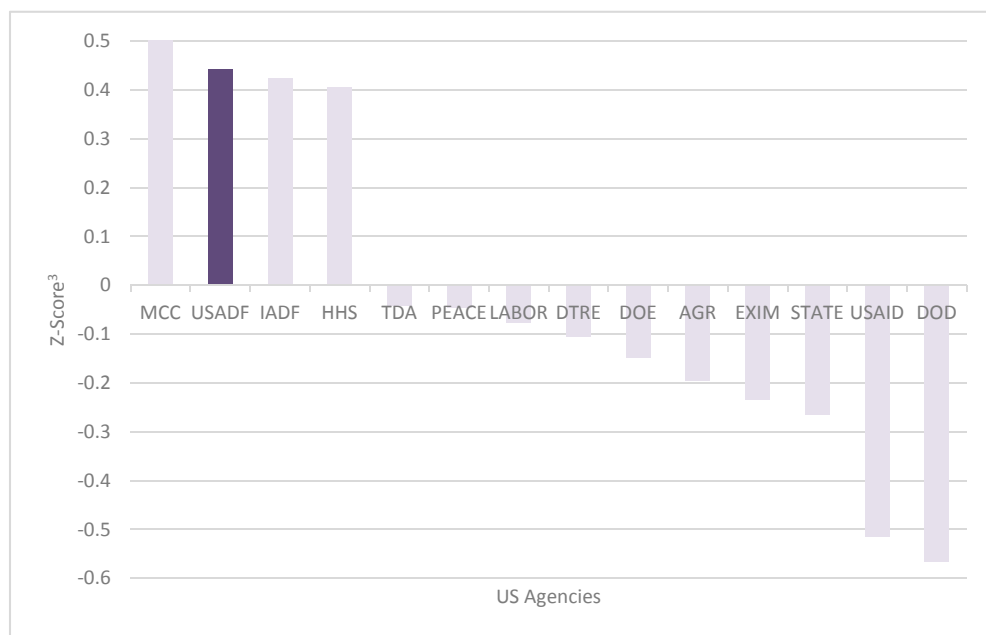
⁵ Less than ten cents per active grant

⁶ For a complete review of the study and corresponding data sets please go to <http://www.cgdev.org/page/quality-oda-quoda> for full details.

- allocating more aid to poorer countries and to better governed countries;
- minimizing administrative costs and thereby increasing efficiency;
- allocating a larger portion of ODA directly to projects or programs;
- providing more aid to countries or sectors in which they are specialized;
- contributing to global public goods;
- and, untying aid.

In the assessment category labeled “Maximizing Efficiencies”, USADF was the second highest performer of all United States agencies assessed.

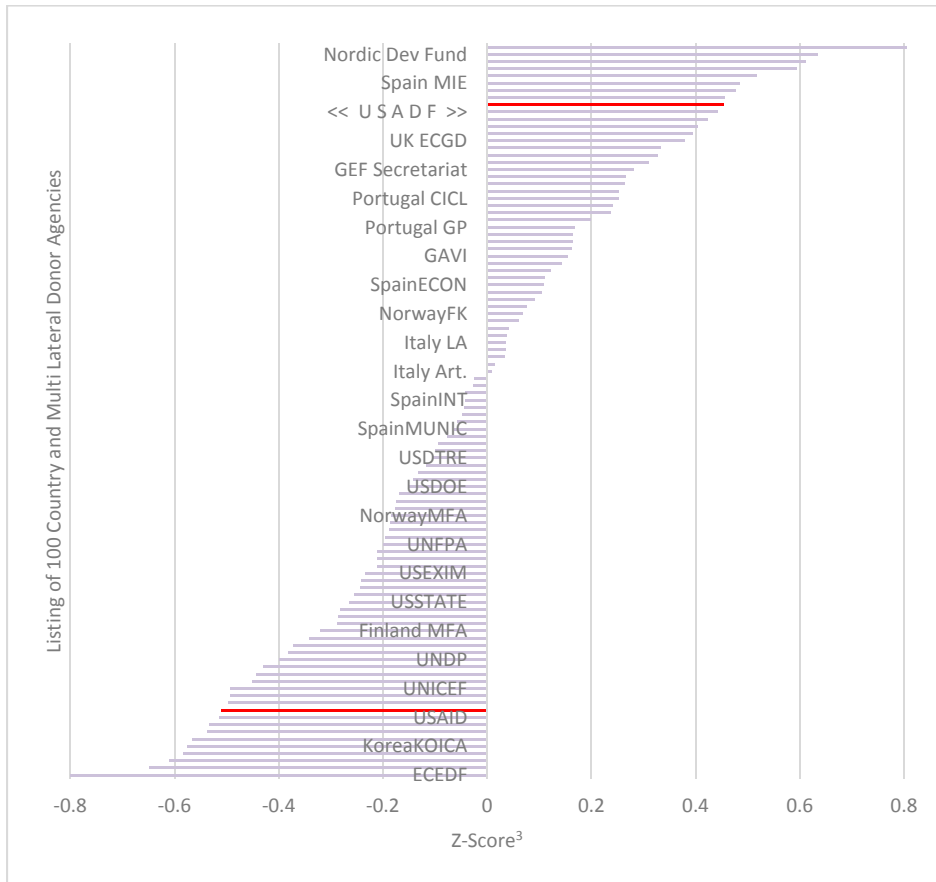
USADF’s Relative Ranking of AID Delivery Efficiencies for 14 US Agencies Providing Development Assistance⁷



⁷ The Z-scores value is the number of standard deviations that each country or agency is from the mean value. Z-scores are presented rather than the raw scores in order to standardize and compare values. Higher z-score values indicate better performance.

When USADF’s “maximizing efficiency” standardized score was compared against the scores of more than 100 country and multi-lateral donor organizations USADF was **one of the top ten performers**.

USADF’s Relative Ranking of AID Delivery Efficiencies for 100 Global Agencies

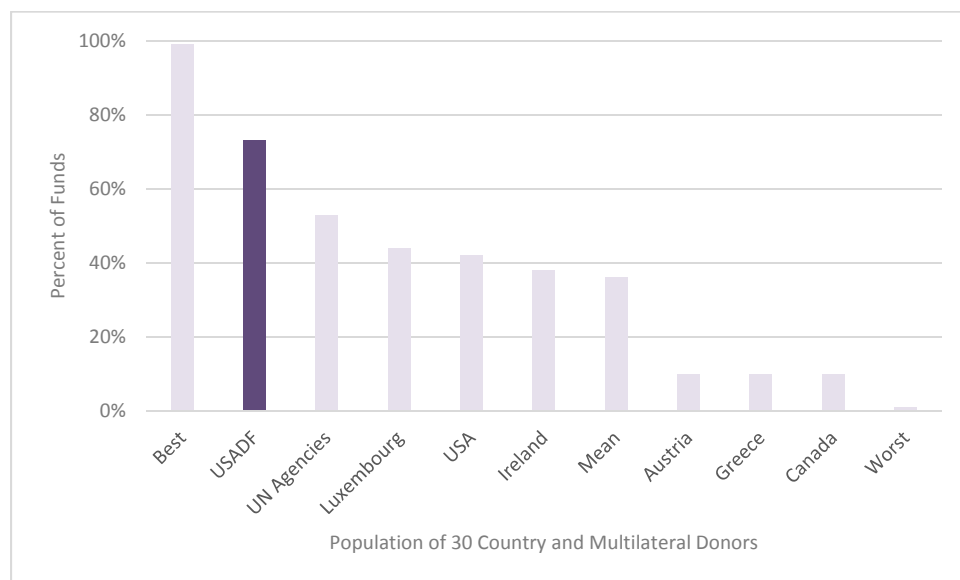


High Country Programmable Aid Share

USADF seeks to ensure that a high percent of allocated funds actually reach Africans. The QuODA study uses the indicator “country programmable aid share” to measure this performance. The measure is a simple calculation of the percent of total funds actually spent in the partner country. The study notes that many development assistance programs result in minimal funds transfers to partner countries. USADF’s five year country programmable aid share average is 73%, well above the 42% consolidated average of all US development agencies⁸. The chart below shows USADF’s relative ranking compared to the “max”, “min”, and mean of the 30 agencies (Global and USA) in the QuODA study.

⁸ Center for Global Development’s *Quality of Official Development Assistance Assessment Report* 2010, page 47.

USADF's Relative Ranking of Country Programmable Aid Share Among 30 Global Agencies



Percent of total program funds actually spent in the partner country for 30 donors in QuODA study.

A Role in U.S. Foreign Assistance Priorities

Food Security - USADF grants support food production and market development for smallholder farmers and cooperatives in nine of the twelve Feed the Future countries in Africa. USADF projects help smallholder farmers develop long-term food security solutions in areas where the need is greatest. Nearly 80% of all USADF project grants focus on agricultural development and food security.

Off Grid Energy and Power Africa - In partnership with GE Africa and USAID, USADF has awarded 28 grants (up to \$100,000 each) to local Energy Entrepreneurs to provide off-grid solutions deploying renewable resources. The U.S. Government initiative, Power Africa, principally focuses on large-scale transactions to meet urban and industrial needs. USADF complements these efforts by awarding small grants to African Energy Entrepreneurs who are developing cost effective, sustainable ways to bring power to remote regions. USADF goes beyond grant funding by offering ongoing technical support and guidance through its network of African Technical Partners. In practice, this approach helps develop long-term business models that emphasize the delivery of energy to underserved communities. In FY 2016, USADF will continue to expand this program to new Energy Entrepreneurs and will continue to assist earlier winners with other ways to access impact investment capital.

Trade & Investment - USADF programs help link community producer groups and organizations with expanded trade and market opportunities. For the past several years, USADF projects have been a featured part of AGOA⁹ success stories. USADF will seek to further leverage its collective experience to help ensure that AGOA's benefits reach rural small-holders, allowing even the smallest producers to benefit from employment and expanded market opportunities resulting from increased access to trade. As AGOA continues to create better access to global markets, USADF programs will support small-holder farmer groups with resources to develop business strategies and capabilities to actively participate in the broader trade opportunities.

⁹ African Growth and Opportunity Act (AGOA)

Youth - In FY 2014, USADF awarded 36 entrepreneurship grants to African Youth Leaders as a part of the YALI Mandela Washington Fellowship program to help them expand business and social enterprises in their home countries. This initiative is being expanded in FY 2015 to 70 awards, including awards for the Fellows and YALI Network participants in Africa. This whole of government initiative is expected to double in size in FY 2016. As funding is available, USADF remains ready to expand its support of the actual implementation efforts of each fellow as they return to Africa.

USADF also remains committed to addressing a chronic youth under-employment problem through its innovative job training and placement programs in Somalia. With an 80% placement success rate in Somalia, USADF is looking for ways to expand the program to other countries in FY 2016.

Reporting and Transparency - The U.S. Government seeks to model openness, accountability, and good governance practices in all it does domestically and internationally. USADF is an active participant in the USG “Open Government Initiative,” the newly launched Foreign Assistance Dashboard program, and the whole of government Feed the Future Monitoring System.

USADF Monitoring and Evaluation

The USADF Washington staff and in-country program coordinators provide for independent monitoring of the project expenditures and of the implementation support from partners. Close-out reports, third party financial audits, and independent African evaluation specialists help USADF capture and share lessons learned for program improvements.

Achieving positive program results requires accountability, evidence-driven approaches, effective monitoring of grant activities, and the regular evaluation of programs. These management actions provide the information necessary to assess program effectiveness, to learn from experiences, and to plan for future programs and resource allocations. In FY 2015, USADF is developing a new comprehensive monitoring and evaluation design to guide future evaluation efforts. By FY 2016, USADF anticipates increasing the program expenditures for independent program evaluation activities and internal structures to support a more robust learning agenda.

Acting on Monitoring and Evaluation Evidence

Closely tracking the progress of grant implementation plans and budgets is an important grant management function to increase successful outcomes and maintain USADF’s high level of transparency. Monitoring can identify early problems, ensure that additional support is applied, and provide necessary evidence for impact assessments. The Regional Director and Field Operations staff is responsible to ensure Technical Partners provide quality support to Grantees consistent with the terms of their cooperative agreements. Monitoring activities include regular reviews of Grantees’ quarterly reports, and regular site visits to Grantees by partners and by USADF staff. Each project grant with a value greater than \$100,000 also receives an independent financial audit on its use of USADF grant funds. At the end of a grant, a grant close-out procedure is completed. The close-out process includes a final accounting report of grant funds, an assessment of the grant’s outcomes, and a determination on the sustainability of the project.

Every six months, Regional Directors conduct a detailed review of all active grants in their regions to monitor and assess individual project performance and to determine the overall effectiveness of grant programs within their regions. Assessments are performed based on information received from site visits and quarterly grant progress reports. The results are then summarized and presented to USADF management in a Bi-annual Program Review meeting and report in April and October of each year. This

in-depth review helps establish clear lines of accountability and responsibility for the overall program results and effectiveness.

The Bi-Annual Program Review process provides for an extensive assessment of all active grants and their achievements of project specific activities, outputs, and outcome performance indicators. The process incorporates an evidence-based approach to monitoring. The focus of the assessment shifts as a grant progresses through its project lifecycle. During the early stages of the grant, the grading focuses on project activities such as training, acquiring new equipment, or establishing new production capabilities. At the middle stage of the grant, the assessment model looks more closely at how output targets are being achieved against goals set at the beginning of the project.

Typical output measures include increased production targets and sales revenue goals compared to baseline values established at the beginning of the project. In the final phase of the grant, the assessment focus shifts to grant outcomes. Outcomes are typically measured in terms of increased income levels and the numbers of people directly benefiting from the project. This approach allows for USADF staff and partners to track grant progress in a near “real-time” manner so that grantees can make the adjustments to their implementation plans to achieve better project outcomes.

The table below is a copy of a recent Bi-annual Program Performance Review. It contains summary performance assessment information about individual grants within a particular country. The review includes evaluations from both implementing in-country partner staff and USADF Washington staff. Based on the review, grants are given a performance grade using a standard grading and assessment template. Grants with lower grades (C – F) are given special attention from Technical Partners to help remediate the project difficulties. As a last resort, grants with failing grades may be terminated. The review provides opportunity for USADF to identify focus areas for program improvement and keeps USADF focused on results.

Portfolio Performance Status (4/21/15)

	*Active Projects	Active Value (USD)	% Value Disb TD	FY14 Days 2 nd Disb	GPA	Project GRADES				
						A	B	C	D	F
Benin	25	3,709,022	65%	107	3.3↑	14	7	4	1	0
Burkina Faso	16	2,506,483	45%	118	3.7↑	13	4	1	0	0
Burundi	14	2,079,739	55%	84	3.0↓	6	2	3	0	1
Guinea	3	574,507	91%	N/A	N/A	-	-	-	-	-
Liberia	23	3,003,652	52%	179	2.3↑	6	4	5	4	3
Mali	17	1,952,919	53%	113	3.4↑	11	2	3	1	0
Mauritania	16	1,577,352	53%	116	2.8	4	5	5	1	0
Niger	18	2,175,470	50%	118	3.2↑	9	5	1	2	0
Rwanda	20	3,462,485	68%	89	3.2↑	10	3	4	1	0
Senegal	14	2,340,151	58%	87	3.9↑	8	1	0	0	0
Kenya	16	3,185,906	81%	82	2.9↑	3	9	3	1	0
Malawi	15	2,148,485	56%	106	3.5↑	7	2	2	0	0
Tanzania	7	1,065,957	50%	97	3.4↑	3	4	0	0	0
Uganda	23	4,504,282	68%	93	3.5	11	4	0	0	1
Zimbabwe	18	2,416,841	72%	87	3.5↑	10	5	2	0	0
Somalia	10	1,933,583	43%	113	3.8↓	4	1	0	0	0
South Sudan	1	80,437	38%	188	4.0	1	0	0	0	0
Nigeria	25	2,794,835	52%	93↑	3.7↑	13	5	0	0	0
Zambia	21	2,763,945	75%	117↓	3.0↑	10	2	7	1	0
Sub Total	302	44,276,051	61%	110	3.2	143	65	40	12	5

	*Active Projects	Active Value (USD)	% Value Disb TD	FY14 Days 2 nd Disb	GPA	Project GRADES				
						A	B	C	D	F
Small Grants	48	374,265	86%							
Power Africa	28	2,788,784	43%	130↑	3.5↓	17	8	3	0	0
YALI	36	900,251	77%							
Sub Total	112	4,063,300	54%							
Total	414	48,339,351	60%		3.3	160	73	43	12	5

Evaluation

In addition to extensive internal and field-based monitoring of grants, USADF also uses external, independent program evaluations to understand overall program effectiveness and impact. Such evaluations are time consuming and costly and are therefore conducted on a strategic basis and to meet specific and targeted programmatic goals. In FY 2015, four country-specific evaluations are scheduled to be conducted in Burkina Faso, Niger, Senegal, and Rwanda. A more detailed household income evaluation is scheduled to begin later in 2015 and completed in FY 2016. In FY 2016 an additional \$200,000 is allocated to expand USADF’s monitoring and evaluation capabilities and conduct external program evaluations.

Other program evaluation efforts include feedback from external audit activities conducted by the Office of the Inspector General (OIG) based in Dakar, Senegal and Pretoria, South Africa. Over a recent five year period, program audits have been done in Nigeria (2011), Cape Verde (2012), Kenya (2013) and Burkina Faso (2014). With each audit and resulting recommendations, USADF is able to improve its operations and program initiatives, furthering the effectiveness of achieving its mission.

The OIG program evaluation report in Cape Verde (2012) underscored the progress USADF has made in using assessments to improve program effectiveness. The report stated,

“The audit team found that USADF’s activities were expanding local capacity to promote and support grassroots participatory development. Estrategos (USADF’s Technical Partner) and nine of the ten grantees had accomplished or were on track to accomplish their project goals, which were general objectives like improving beneficiaries’ quality of life¹⁰. To date, the program has led to new jobs, increased incomes, improved living standards, and less reliance on imported goods for USADF beneficiaries. Perhaps even more notable was that the grantees demonstrated increased managerial and technical capacity to conduct development activities—an improvement that should help sustain the program’s impact.”¹¹

Program Dashboard

The USADF dashboard (following page) provides a snapshot view of USADF purpose, presence, portfolio composition and performance against annual budget targets. The chart is updated quarterly and is a part of the Presidents report to the Board of Directors.

¹⁰ The tenth grantee’s project had not been active long enough for the auditors to make a judgment.

¹¹ AUDIT REPORT NO. 7-ADF-12-008-P page 1

USADF Dashboard



Creating Pathways to Prosperity for Underserved Communities

USADF is dedicated to African-led development. USADF grants provide capital and local technical expertise to grassroots enterprises that empowers the underserved to become part of Africa's growth story.

Active Core Portfolio (updated 4/30/15)

Total No. of Grants	Total Grant Value (\$M)	Net Rev Growth (\$M)	People Impacted	Continuity Factor
302	\$44.3	\$133	1,298,600	86%

(Excludes Special Initiative Grants)

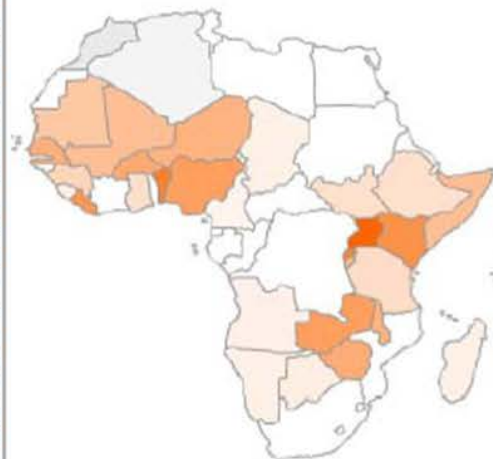
Rev Growth = projected increase in net revenues generated over full lifecycle of active grants.

People Impacted = number of direct beneficiaries x family factor of 5.

Continuity Factor = % of grants continuing core economic activities 2 yrs after the grant expires.

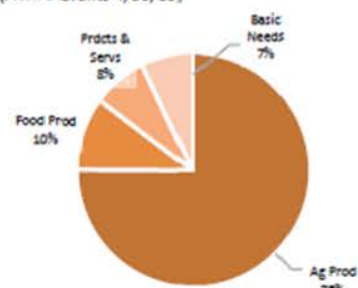
Active Grants Allocations and Disbursement Status (updated 4/30/15)

Cou	No.	\$M	Disb
UGA	23	4.5	68%
BEN	25	3.7	65%
RWA	20	3.5	68%
KEN	16	3.2	81%
LIB	23	3.0	52%
NIA	25	2.8	52%
ZAM	21	2.8	75%
BUR	16	2.5	45%
ZIM	18	2.4	72%
SEN	14	2.3	58%
NIR	18	2.2	50%
MWI	15	2.1	56%
BUR	14	2.1	55%
MLI	17	2.0	53%
SOM	10	1.9	43%
MAU	16	1.6	53%
TAN	7	1.1	50%
GUI	3	0.6	91%
SSD	1	0.1	38%
Sub	302	44.3	62%
Pow	28	2.8	43%
YAL	36	0.9	77%
Sma	48	0.4	86%
Sub	112	4.1	54%

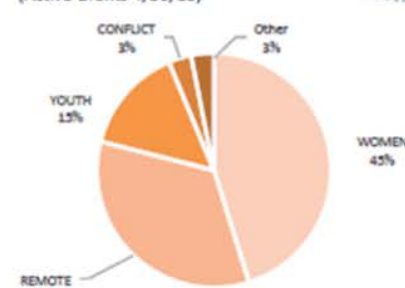


(shaded by size of active grant portfolio)

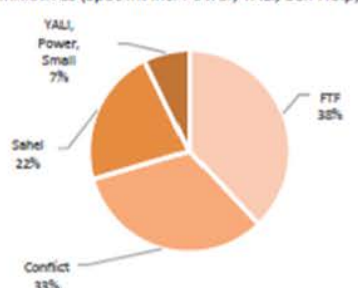
Sectors (Active Grants 4/30/15)



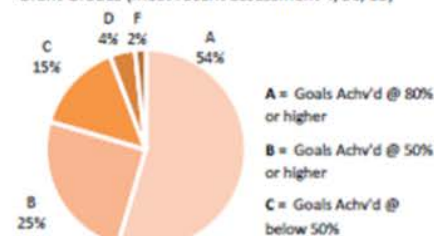
Under Served Groups (Active Grants 4/30/15)



Initiatives (Spec Int incl Power, YAL, Self Help)



Grant Grades (most recent assessment 4/30/15)

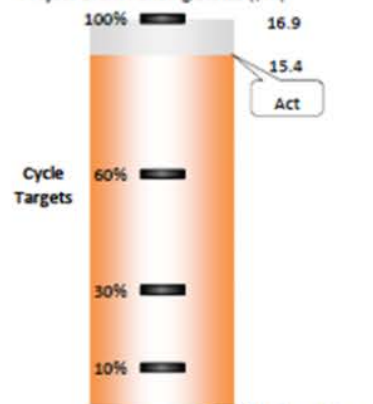


Financial Performance (9/30/15)

(\$M)	FY14 Act	FY15 Bdg*	FY15 Act
FUNDS			
All Federal	33.9	32.4	32.0
SPF	2.7	2.0	1.9
Other	0.8	0.2	-
Total	37.4	34.6	33.9
EXPENSES			
Admin	7.5	8.1	7.9
Prgm (Fed)	24.9	24.0	22.9
Sub Total	32.4	32.1	30.8
Prgm (SPF)	2.7	2.2	1.5
Total	35.1	34.3	32.3
OE RATIOS			
All Fed Funds	22%	25%	25%
All Funds	20%	23%	23%

*FY15 Adj Budget

Project Grant Funding Status (\$M)



*FY15 \$16.9 Adj Target

Conclusion

Today's Africa presents significant opportunities and challenges. While some countries on the continent are experiencing unprecedented growth – others are wrought with internal conflict and despair. The U.S. African Development Foundation, building upon a thirty plus year track record, has a significant role to play in supporting economic participation among underserved populations. In those countries experiencing growth, USADF creates economic opportunity for those outside the mainstream. In other regions, USADF's contribution is all the more important in bringing economic engagement and hope, and fostering the conditions for peace and sustainability among vulnerable populations.

This is accomplished through USADF's commitment to grassroots economic development – where local communities identify and develop projects that generate sustained business outcomes and further development goals. USADF's approximately 325 active project grants in over 18 core countries represent \$54 million in investments. With nearly 80% of all projects involving the production and/or processing of agricultural products, USADF is an important supporter of Feed the Future. Twenty percent of USADF projects align with AGOA objectives, making it possible for rural small-holders to participate in the upside of regional and international trade. USADF benefits marginalized communities in conflict and post-conflict zones – including women, youth, and the disabled, concentrating in regions beyond the reach of other development agencies.

In FY 2016, USADF is broadening its traditional program to expand initiatives aligned with U.S. foreign assistance priorities – including the Young African Leaders Initiative and Power Africa. USADF will ensure that these initiatives translate into tangible gains for underserved populations on the continent. As the only U.S. government agency exclusively focused on Africa, we remain uniquely positioned to further the *U.S. Strategy Toward Sub-Saharan Africa*.

USADF's methodology engages underserved communities in their own development process. Relying on a network of local African service providers, USADF's approach is distinguished by the *speed* through which we are able to enter countries and initiate operations, the *responsive* qualities that engage local communities and host country governments, and the *sustainable* and *scalable* model employed. Most significantly, USADF engenders *respect and dignity* among the communities we serve. Combined, these elements create a direct, nimble, responsive, and cost-effective institution dedicated to furthering the nation's development objectives: *Creating pathways to prosperity for underserved communities in Africa*.

Analysis of Financial Statements

USADF is pleased to report that in FY 2015 the Foundation continued to receive an unmodified opinion on all financial statements from its independent auditors, Brown & Company CPAs, PLLC. Since FY 2009, USADF has received unqualified/unmodified opinions on the Balance Sheet, the Statement of Net Costs, the Statement of Changes in Net Position, and the Statement of Budgetary Resources.

Assets

USADF's *Fund Balance with Treasury* decreased, from \$36.8 million at the end of FY 2014 to \$35.4 million at the end of FY 2015. The decrease of \$1.4 million can be attributed to an increase in grant award activities and an efficiency gain in the disbursement activities enabled by the new grant management database.

Cash and Other Monetary Assets consist of foreign currency donations made by African governments and private-sector entities with which USADF has established strategic partnerships. The funds are held in bank accounts in each country where a strategic partnership is in effect. These assets increased, from \$3.6 million at the end of FY 2014 to \$3.8 million at the end of FY 2015. Pledges have decreased from FY 2013; however, aggressive focus on grant closeout activities, followed by a de-obligation of undisbursed funds have made available additional funds for new grant award.

Other decreased from \$1.1 million at the end of FY 2014 to \$1.0 million at the end of FY 2015. In the third Quarter of FY 2015, grantees were found to have expensed 80% of the funds disbursed, resulting in a grant advance entry recorded at 20%.

Liabilities and Net Position

Liabilities decreased slightly from FY 2014 to FY 2015. USADF's *Net Position* (the sum of the Unexpended Appropriations and Cumulative Results of Operations) at the end of 2015 as shown on the Balance Sheet and the Statement of Changes in Net Position was \$40.9 million, a \$529.6 thousand decrease from the previous fiscal year's balance of \$41.5 million. *Unexpended Appropriations* of \$35.8 million represents funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2015.

Net Cost of Operations

The *Net Cost of Operations* is defined as the gross (i.e., total) cost incurred by the Agency, less any exchange (i.e., earned) revenue. Total program costs increased slightly from 21.2 million in FY 2014 to \$21.5 million in FY 2015. However, costs assigned to program activities, such as grants and cooperative agreements, slightly decreased from \$20.2 million in FY 2014 to \$19.5 million in FY 2015, while the cost of supporting activities in field increased from \$963,510 from FY 2014 to \$2.02 million in FY 2015. The supporting activities cost increase is due to the reclassification of USADF Field Offices costs from Costs Not Assigned to Programs to Program Costs. The full impact of this reclassification will be realized in FY 2016. USADF Field Offices activities are in direct support of grantees. Fifty three percent of USADF's non-program expenses are related to payroll. Eighteen percent relates to Interagency Agreement for Shared Services. Nine percent relates to HQ lease. The remaining twenty percent relates to travel, supplies, publications, training, contractual services, and information technology.

Budgetary Resources

USADF's budgetary resources consist of its annual appropriations from Congress, which are available for two years, and donations from strategic partners. USADF's FY 2014 appropriations were \$30 million; its FY 2015 appropriations are \$30 million. USADF received \$1,475,702 in donations from strategic partners and other donations, representing a decrease of approximately \$612,206 from the \$2.08 million received in FY 2014.

Unobligated Balances increased from \$5.9 million at the end of FY 2014 to \$6.03 million at the end of FY 2015. The *Obligations Incurred* line decreased from \$36.2 million in FY 2014 to \$32.1

million in FY 2015. The decrease of \$4.05 million is due, among other factors, to the adjustment of the Senegal project pipeline and to special initiatives budget. Senegal's pipeline was adjusted downward because the Senegal government did not provide the matching funds as promised. Other factors that contributed to this decrease are the decrease in the carried forward funds from 3.1 million in FY 2014 to 1.5 million in FY 2015.

USADF Internal Controls, and Legal Compliance



November 6, 2015

ANNUAL ASSURANCE STATEMENT

U.S. African Development Foundation's (USADF) management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). USADF is able to provide an unqualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA. USADF uses the Oracle Federal Financial System hosted by the Administrative Resource Center (ARC) within Treasury's Fiscal Service. Therefore, our assertion of assurance is based on the administrative controls within USADF as well as the Statement on Standards for Attestation Engagements (SSAE) 16 Report on ARC/FS Oracle Federal Financial System and related complementary controls in place at ARC.

The USADF management is additionally responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with all applicable laws and regulations. USADF assesses the effectiveness of its own internal controls and relies on the Treasury Fiscal Service's internal assessment of its internal controls at ARC. Although not required to do so, based on the results of USADF's own internal assessments and our review of our service provider assessment results, USADF provides unqualified assurance that internal controls over financial reporting as of September 30, 2015 are operating effectively; no material weaknesses have been found in the design or operation of the internal controls over financial reporting.


Shari Berenbach
President and CEO

Internal Audit Function

Prior to the IG audit activities, USADF management moved to establish and strengthen an independent internal audit capability that reports directly to the USADF President and the Board of Directors and the Board of Directors Audit Committee. The internal audit function concentrates its efforts on assessing compliance with USADF financial policy and practices at the Country Coordinator Offices, USADF Partner Organizations, and the USADF project grantees. An Internal Audit Report and follow-up project plan will follow each assessment.

In 2015, the USADF Internal Audit unit continued implementing a systematic plan to review the financial management and accounting for USADF funds provided to project grants, partner grants, and country coordinator offices. During FY 2015, USADF oversaw field audits for 59 grants, 7 Country Coordinator offices, and 15 Partner Cooperative Agreement grants.

Improper Payments Elimination and Recovery Act (IPERA) Reporting Detail

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires agencies to review their programs and activities increasing efforts to recapture improper payments by intensifying and expanding payment recapture audits. All agencies are required to develop a method of reviewing all programs to identify those that are susceptible to significant erroneous payments. “Significant” means that an estimated error rate and a dollar amount exceed the threshold of 2.5 percent of programs outlays and \$10 million of total program or activity payments made during the fiscal year reported or \$100,000,000 regardless of the improper payment percentage of total program outlays.

During FY 2015, USADF has no significant improper payments to report.

Limitations of Financial Statements

USADF's principal financial statements have been prepared to report the financial position and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from books and records in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget, 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 for a component of the U.S. Government, a sovereign entity.



November 6, 2015

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

MESSAGE FROM THE CFO

I am pleased to present, as part of the Foundation's FY 2015 Performance and Accountability Report the FY 2015 Financial Statements for the United States African Development Foundation (USADF). USADF once again received an unmodified (clean) opinion on the FY 2015/2014 comparative financial statements. These financial statements and the performance results presented here are complete, reliable, and have been prepared in conformance with applicable generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board. USADF utilizes a shared services provider for its accounting, procurement, and human resources services. We are responsible for overseeing and ensuring that USADF's administrative and fiscal accounting systems for the year ended September 30, 2015 are in substantial compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA). We ensure compliance with the act through review of our administrative and oversight role and rely upon the results of our providers' Statement on Standards for Attestation Engagements (SSAE) 16 Reports.

USADF offers a statement of unqualified assurance for the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The USADF has appropriate management controls in place to ensure that internal controls are operating in accordance with applicable policies and procedures and are effective in meeting the requirements imposed by the FMFIA and FFMIA.

A handwritten signature in blue ink that reads "Lisa Fiely".

Lisa Fiely
Chief Financial Officer

U.S. AFRICAN DEVELOPMENT FOUNDATION

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2015 AND 2014**



**Prepared By
Brown & Company CPAs, PLLC
November 6, 2015**



INDEPENDENT AUDITOR'S REPORT

U.S. African Development Foundation
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheet of the U.S. African Development Foundation (ADF) as of September 30, 2015, and the related statements of net cost and changes in net position, statement of budgetary resources and statement of custodial activity, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ADF as of September 30, 2015, and its net costs, changes in net position, budgetary resources and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis* (MD&A) and *Required Supplementary Information* (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Financial Statements

The financial statements as of and for the year ended September 30, 2014 were audited by other auditors whose report, dated November 6, 2014, expressed an unmodified opinion on those statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From The President, Message From The CFO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ADF's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ADF's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to ADF. The objective was not to provide an opinion on compliance with provisions of laws, regulations, contracts and grant agreements and therefore, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

ADF's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit and (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, (3) applying certain limited procedures with respect to the MD&A and other RSI.

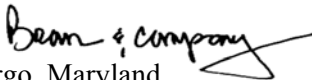
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to ADF. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to the ADF's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ADF's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ADF's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of ADF, OIG and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.


Largo, Maryland
November 6, 2015

FINANCIAL STATEMENTS AND NOTES

U.S. AFRICAN DEVELOPMENT FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 35,432,674	\$ 36,838,220
Total Intragovernmental	35,432,674	36,838,220
Cash and Other Monetary Assets (Note 3)	3,829,826	3,602,373
Accounts Receivable, Net (Note 4)	-	1,605
Property, Equipment, and Software, Net (Note 5)	1,273,929	739,231
Other (Note 6)	1,075,086	1,139,394
Total Assets	\$ 41,611,515	\$ 42,320,823
Liabilities:		
Intragovernmental		
Other (Note 8)	\$ 30,019	\$ 22,882
Total Intragovernmental	30,019	22,882
Accounts Payable	65,995	179,006
Other (Note 8)	531,255	605,089
Total Liabilities	\$ 627,269	\$ 806,977
Net Position:		
Unexpended Appropriations	\$ 35,825,131	\$ 36,800,340
Cumulative Results of Operations	5,159,115	4,713,506
Total Net Position	\$ 40,984,246	\$ 41,513,846
Total Liabilities and Net Position	\$ 41,611,515	\$ 42,320,823

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Program Costs:		
Foreign Grant Program (Note 10)		
Foreign Grant Program	\$ 19,522,727	\$ 20,253,399
USADF Field Offices	681,229	-
Field Program Support	287,034	625,007
Headquarters Program Support	1,057,513	338,503
Less: Earned Revenue	-	10,225
Total Foreign Grant Program Costs	\$ 21,548,503	\$ 21,227,134
Costs Not Assigned To Programs (Note 10)	\$ 9,024,683	\$ 9,024,160
Net Cost of Operations	\$ 30,573,186	\$ 30,251,294

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Cumulative Results of Operations:		
Beginning Balances	\$ 4,713,506	\$ 4,110,908
Budgetary Financing Sources:		
Appropriations Used	29,332,418	28,519,065
Donations and Forfeitures of Cash and Cash Equivalents	1,475,702	2,087,908
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 11)	210,675	246,919
Total Financing Sources	\$ 31,018,795	\$ 30,853,892
Net Cost of Operations	(30,573,186)	(30,251,294)
Net Change	445,609	602,598
Cumulative Results of Operations	\$ 5,159,115	\$ 4,713,506
Unexpended Appropriations:		
Beginning Balances	\$ 36,800,340	\$ 35,558,076
Budgetary Financing Sources:		
Appropriations Received	30,000,000	30,000,000
Appropriations Transferred In/Out	400,000	700,000
Other Adjustments	(2,042,791)	(938,671)
Appropriations Used	(29,332,418)	(28,519,065)
Total Budgetary Financing Sources	(975,209)	1,242,264
Total Unexpended Appropriations	\$ 35,825,131	\$ 36,800,340
Net Position	\$ 40,984,246	\$ 41,513,846

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 5,953,453	\$ 7,544,292
Recoveries of Prior Year Unpaid Obligations	2,363,177	2,722,432
Other changes in unobligated balance	(1,642,791)	(238,672)
Unobligated balance from prior year budget authority, net	6,673,839	10,028,052
Appropriations	31,475,702	31,337,908
Spending authority from offsetting collections	3,141	750,000
Total Budgetary Resources	\$ 38,152,682	\$ 42,115,960
Status of Budgetary Resources:		
Obligations Incurred (Note 13)	\$ 32,113,031	\$ 36,162,507
Unobligated balance, end of year:		
Apportioned	1,281,506	1,496,081
Exempt from apportionment	1,577,845	901,360
Unapportioned	3,180,300	3,556,012
Total unobligated balance, end of year	6,039,651	5,953,453
Total Budgetary Resources	\$ 38,152,682	\$ 42,115,960
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 34,487,140	\$ 30,467,971
Obligations Incurred	32,113,031	36,162,507
Outlays (gross)	(31,014,145)	(29,420,906)
Recoveries of Prior Year Unpaid Obligations	(2,363,177)	(2,722,432)
Unpaid Obligations, End of Year (Gross)	\$ 33,222,849	\$ 34,487,140
Memorandum entries:		
Obligated Balance, Start of Year	\$ 34,487,140	\$ 30,467,971
Obligated Balance, End of Year	\$ 33,222,849	\$ 34,487,140
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 31,478,843	\$ 32,087,908
Actual offsetting collections	(3,141)	(750,000)
Budget Authority, net, (total)	\$ 31,475,702	\$ 31,337,908
Outlays, gross	\$ 31,014,145	\$ 29,420,906
Actual offsetting collections	(3,141)	(750,000)
Agency outlays, net	\$ 31,011,004	\$ 28,670,906

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(In Dollars)

	2015	2014
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous (Note 15)	\$ -	\$ 14,407
Total Cash Collections	-	14,407
Accrual Adjustments	-	(5,473)
Total Custodial Revenue	-	8,934
Disposition of Collections:		
Transferred to Others (by Recipient)	-	14,407
Increase/(Decrease) in Amounts Yet to be Transferred	-	(5,473)
Net Custodial Activity	\$ -	\$ -

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



U.S. AFRICAN DEVELOPMENT FOUNDATION NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States African Development Foundation ("USADF" or "the Foundation") is a government-owned corporation established by Congress under the African Development Foundation Act in 1980 and began operations in 1984. The Foundation has a unique mission among U.S. foreign assistance programs, bypassing layers of inefficiencies and working directly with the neediest communities in Africa. The Foundation uses a participatory approach to actively engage marginalized local community groups or enterprises in the design and implementation of development projects. This approach ensures these programs are distinctively African initiated and led, resulting in outcomes that best address the real needs of the community. Together, the focus on underserved populations and participatory development ensure greater equity and ownership in the development process. Project success and long term impact is further enhanced through USADF efforts to establish a network of partner organizations, local non-governmental organizations, that provide project design, implementation and management support to USADF grant recipients. The Foundation reporting entity is comprised of Trust Funds and General Funds.

The Foundation maintains a Trust Fund with the U.S. Treasury in accordance with its gift authority. Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The Foundation provides grants and program

support to community groups and small enterprises that benefit under served and marginalized groups in Africa.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Foundation. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of the Foundation in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* as amended and the Foundation's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Foundation's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

D. Fund Balance with Treasury and Cash

Fund Balance with Treasury is the aggregate amount of the Foundation's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. The U.S. Treasury processes cash receipts and disbursements of appropriated funds. Funds held with/outside the Treasury are available to pay agency liabilities. Funds held outside U.S. Treasury are maintained in accounts in each country with which the Foundation has a Strategic Partnership Agreement. Strategic Partner Governments deposit donations into these in-country accounts. In general, grants are funded equally with appropriated funds and donated funds (funds held outside U.S. Treasury). USADF controls all disbursements from these accounts. Following is a list of banks where the funds are maintained and where grant funds are processed: Bank Gaborone of Botswana, Banco Comercial do Atlantico in Cape Verde, Standard Chartered Bank in Ghana, Ecobank in Mali, Zenith Bank in Nigeria, First National Bank of Swaziland in Swaziland, Standard Chartered Bank in Zambia, EcoBank Guinea, EcoBank Benin, Stanbic Bank of Uganda, Banque Commerciale du Rwanda, National Bank of Malawi, and EcoBank Senegal.

E. Foreign Currencies

The Foundation awards grants to private organizations in Africa. Most of the grants are denominated in local currencies to facilitate accounting by the recipient organizations. Depending on the nature of the transaction,

foreign currencies are translated into dollars at the actual exchange rate received by the Foundation when the transaction is made. The value of obligations incurred by the Foundation in foreign currencies varies from time to time depending on the current exchange rate. The Foundation adjusts the value of both funds held outside of treasury and obligations during the year to reflect the prevailing exchange rates. Downward adjustments to prior year obligations based on favorable foreign currency exchange rates will be made available for obligation. Upward adjustment to prior year obligations based on unfavorable foreign currency exchange rate with the U.S. dollar will be made from funds made available for upward adjustments. Obligations in the appropriated multi-year funds will not be adjusted based on the foreign exchange rate until they are paid out.

F. Grant Accounting

The Foundation disburses funds to grantees to cover their projected expenses over a three-month period. Grantees report to the Foundation quarterly on the actual utilization of these funds. For purposes of these financial statements, the Foundation treats disbursements to grantees as advances. The total grant advance is twenty percent of the amount disbursed to the grantee during the quarter. In order to ensure timeliness in reporting grantee expenditures, the Foundation will use estimates to calculate the last quarter's grantee expenditures, based on historical expenditure trends over a five year period, and disbursement activity funding in that quarter. The advance will be reversed in the following quarter's financial statements. Once a grant has closed (expired or cancelled) any excess disbursement is reclassified as an Accounts Receivable.

G. Accounts Receivable

Accounts receivable can consist of amounts owed to the Foundation by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible

accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

H. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. USADF's capitalization threshold is \$20,000 for individual purchases. Vehicle purchases will automatically be capitalized regardless of the cost. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	5
Office Furniture	5
Computer Equipment	5
Office Equipment	5
Vehicles (Equipment)	5
Software	5

I. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are exceptions, such as some reimbursable agreements, subscriptions and payments to contractors and employees. Advances may be given to USADF employees for official travel. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received. Grant advances are discussed under Section "F. Grant Accounting."

J. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the USADF as a result of transactions or events that have already occurred.

The USADF reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represents funds owed to any entity or person that is not a Federal agency, including private sector firms and Federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, Federal Employees' Compensation Act (FECA), and unemployment insurance.

K. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not

available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% for the 1st quarter of FY 2014 and 100% thereafter.

L. Accrued and Actuarial Workers' Compensation

The FECA administered by the U.S. Department of Labor (DOL) addresses all claims brought by the USADF employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the USADF terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

M. Retirement Plans

USADF employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of USADF's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are

automatically covered by the FERS program. Both CSRS and FERS employees may participate in the Federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and USADF matches any employee contribution up to an additional four percent of pay. For FERS participants, USADF also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, USADF remits the employer's share of the required contribution.

USADF recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the USADF for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The USADF recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The USADF does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

N. Other Post-Employment Benefits

The USADF employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGGLIP) may continue to participate in these programs after their retirement. The OPM has provided the USADF with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The USADF

recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the USADF through the recognition of an imputed financing source.

O. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and in the note disclosures. Actual results could differ from those estimates.

P. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The USADF recognized imputed costs and financing sources in fiscal years 2015 and 2014 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2014 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2015 and 2014 were as follows:

	2015	2014
Fund Balances:		
Trust Funds	\$ 338,673	\$ 642,414
Appropriated Funds	35,094,001	36,195,806
Total Fund Balance with Treasury	35,432,674	36,838,220
Funds Held Outside of Treasury	3,829,826	3,602,373
Total	\$ 39,262,500	\$ 40,440,593

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 2,859,351	\$ 2,397,441
Unavailable	3,180,300	3,556,012
Obligated Balance Not Yet Disbursed	33,222,849	34,487,140
Total	\$ 39,262,500	\$ 40,440,593

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 3. CASH AND OTHER MONETARY ASSETS

The USADF's funds held outside the Treasury consist of local currency donations made by African governments and certain private sector entities for program purposes in each respective country.

Cash and other monetary assets balances as of September 30, 2015 and 2014, totaled \$3,829,826 and \$3,602,373, respectively. The comparative balances are summarized below:

	2015	2014
EcoBank Mali	\$ 402,090	\$ 527,190
Stanbic Bank of Uganda	1,518,244	1,375,254
Banque Commerciale du Rwanda	21,875	66,201
Bank Gaborone of Botswana	114,836	132,494
EcoBank Benin	1,272,964	841,670
EcoBank Senegal	46,038	66,249
Banco Comercial do Atlantico, Cape Verde	21,848	82,228
EcoBank Guinea	26,429	44,846
Zenith Bank Nigeria-Kaduna	41,984	85,847
Zenith Bank Nigeria-Kano	79,437	156,962
Zenith Bank Nigeria-Abuja	8,704	12,105
National Bank of Malawi	262,170	195,016
Standard Chartered, Ghana	1,107	1,180
First National Bank Swaziland	12,002	15,007
Standard Chartered Bank, Zambia	98	124
Total Funds Held Outside Treasury	\$ 3,829,826	\$ 3,602,373

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
With the Public		
Employee Receivables	\$ -	\$ 1,605
Total Public Accounts Receivable	\$ -	\$ 1,605
Total Accounts Receivable	\$ -	\$ 1,605

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2015:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Property & Equipment	\$ 1,887,509	\$ 1,324,059	\$ 563,450
Software	819,784	109,305	710,479
Total	\$ 2,707,293	\$ 1,433,364	\$ 1,273,929

Schedule of Property, Equipment, and Software as of September 30, 2014:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Property & Equipment	\$ 1,876,034	\$ 1,136,803	\$ 739,231
Total	\$ 1,876,034	\$ 1,136,803	\$ 739,231

NOTE 6. OTHER ASSETS

Other assets account balances as of September 30, 2015 and 2014, were as follows:

	2015	2014
With the Public		
Grant Advances	\$ 1,038,309	\$ 1,102,055
Country Program Coordinator Advances	6,865	30,233
Travel Advances	29,912	7,106
Total Public Other Assets	\$ 1,075,086	\$ 1,139,394

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2015 and 2014 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2015	2014
Intragovernmental – FECA	\$ 2,344	\$ 2,344
Unfunded Leave	365,974	292,099
Total Liabilities Not Covered by Budgetary Resources	\$ 368,318	\$ 294,443
Total Liabilities Covered by Budgetary Resources	258,951	512,534
Total Liabilities	\$ 627,269	\$ 806,977

The FECA liability represents the unfunded liability for actual workers compensation claims paid on USADF's behalf and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2015 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 2,344	\$ -	\$ 2,344
Payroll Taxes Payable	27,675	-	27,675
Total Intragovernmental Other Liabilities	\$ 30,019	\$ -	\$ 30,019
With the Public			
Payroll Taxes Payable	\$ 4,869	\$ -	\$ 4,869
Accrued Funded Payroll and Leave	160,413	-	160,413
Unfunded Leave	365,973	-	365,973
Total Public Other Liabilities	\$ 531,255	\$ -	\$ 531,255

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 2,344	\$ -	\$ 2,344
Payroll Taxes Payable	20,538	-	20,538
Total Intragovernmental Other Liabilities	\$ 22,882	\$ -	\$ 22,882
With the Public			
Payroll Taxes Payable	\$ 3,455	\$ -	\$ 3,455
Accrued Funded Payroll and Leave	125,196	-	125,196
Unfunded Leave	292,099	-	292,099
Other Liabilities	184,339	-	184,339
Total Public Other Liabilities	\$ 605,089	\$ -	\$ 605,089

NOTE 9. LEASES

Operating Leases

The USADF occupies office space in Washington, DC under a lease agreement that is accounted for as an operating lease. The lease term is for a period of ten years and commenced on May 1, 2008 and expires on April 30, 2018. An amendment to the lease was done in July 2015 to renew and extend the lease for ten years which will now expire April 30, 2028. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Building
2016	\$ 769,627
2017	788,867
2018	808,589
2019	828,804
2020	853,853
Thereafter	7,256,024
Total Future Payments	\$ 11,305,764

The operating lease amount does not include estimated payments for leases with annual renewal options. USADF enters into year-to-year leases in the countries with established Country Representative Offices.

NOTE 10. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between the USADF and other Federal government entities, and are in contrast to those with non-Federal entities (the public). Such costs and revenue are summarized as follows:

	2015	2014
Foreign Grant Program		
Intragovernmental Costs	\$ 9,797	\$ -
Public Costs	21,538,706	21,216,909
Public Earned Revenue	-	10,225
Net Foreign Grant Program Costs	\$ 21,548,503	\$ 21,227,134
Costs Not Assigned to Programs		
Intragovernmental Costs	\$ 2,907,071	\$ 2,723,701
Public Costs	6,117,612	6,300,459
Total Costs Not Assigned to Programs	9,024,683	9,024,160
Total Net Cost	\$ 30,573,186	\$ 30,251,294

NOTE 11. IMPUTED FINANCING SOURCES

USADF recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2015 and 2014, respectively, imputed financing was as follows:

	2015	2014
Office of Personnel Management	\$ 210,675	\$ 246,919
Total Imputed Financing Sources	\$ 210,675	\$ 246,919

NOTE 12. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2015 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2016 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2016 Budget of the United States Government, with the "Actual" column completed for 2014, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 13. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2015 and 2014 consisted of the following:

	2015	2014
Direct Obligations, Category A	\$ 8,015,128	\$ 9,306,527
Direct Obligations, Category B	22,997,643	23,441,656
Direct Obligations, Category E	1,100,260	3,414,324
Total Obligations Incurred	\$ 32,113,031	\$ 36,162,507

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

Category E apportionments may be used to apportion funds into future fiscal years.

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the periods ended September 30, 2015 and 2014, undelivered orders amounted to the following:

	2015	2014
Undelivered Orders	\$ 34,038,983	\$ 35,114,000
Total Undelivered Orders	\$ 34,038,983	\$ 35,114,000

NOTE 15. CUSTODIAL ACTIVITY

The USADF is an administrative agency collecting for the General Fund. As a collecting entity, USADF measures and reports cash collections and refunds. These collections are reported as custodial activity on the "Statement of Custodial Activity. For the periods ended September 30, 2015 and 2014, collections totaled \$0 and \$14,407.

NOTE 16. CONTINGENT LIABILITIES

The USADF records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated. There were no contingent liabilities as of September 30, 2015. According to the USADF's legal counsel, the likelihood of unfavorable outcomes for any legal actions and claims is remote. In the opinion of the USADF's management, the ultimate resolution of any proceedings, actions, and claims will not materially affect the financial position or results of operations of the USADF.

NOTE 17. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The USADF has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2015	2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 32,113,031	\$ 36,162,507
Spending Authority From Offsetting Collections and Recoveries	(2,366,318)	(3,472,432)
Obligations Net of Offsetting Collections and Recoveries	29,746,713	32,690,075
Other Resources		
Imputed Financing From Costs Absorbed By Others	210,675	246,919
Net Other Resources Used to Finance Activities	210,675	246,919
Total Resources Used to Finance Activities	29,957,388	32,936,994
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	1,075,018	(2,661,631)
Resources That Fund Expenses Recognized In Prior Periods	767	(6,366)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Other	-	750,000
Resources That Finance the Acquisition of Assets	(867,376)	(631,346)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	208,409	(2,549,343)
Total Resources Used to Finance the Net Cost of Operations	30,165,797	30,387,651
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase In Annual Leave Liability	73,874	-
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	73,874	-
Components Not Requiring or Generating Resources		
Depreciation and Amortization	332,678	235,859
Revaluation of Assets or Liabilities	-	10,225
Other	837	(382,441)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	333,515	(136,357)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	407,389	(136,357)
Net Cost of Operations	\$ 30,573,186	\$ 30,251,294

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