



OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

Audit of the U.S. African Development Foundation's Fiscal Years 2017 and 2016 Financial Statements

AUDIT REPORT 0-ADF-18-003-C
November 15, 2017

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MEMORANDUM

DATE: November 15, 2017

TO: U.S. African Development Foundation, President and CEO, C.D. Glin

FROM: Deputy Assistant Inspector General for Audit, Alvin A. Brown /s/

SUBJECT: Audit of the U.S. African Development Foundation's Fiscal Years 2017 and 2016 Financial Statements (0-ADF-18-003-C)

Enclosed is the final audit report and management letter on the U.S. African Development Foundation's (ADF) financial statements as of September 30, 2017, and 2016. ADF contracted with the independent certified public accounting firm Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 17-03, "Audit Requirements for Federal Financial Statements."

In carrying out its oversight responsibilities, the Office of Inspector General (OIG) reviewed the audit firm's report and related audit documentation and inquired of its representatives. Our review, which is different from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on ADF's financial statements. Brown & Company is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which Brown & Company did not comply, in all material respects, with applicable standards.

The audit objectives were to (1) express an opinion on whether ADF's financial statements as of September 30, 2017, and 2016, were presented fairly, in all material respects; (2) obtain sufficient understanding of internal control over financial reporting to plan the audit; and (3) test compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements. The purpose was not to provide an opinion on the effectiveness of the entity's internal control or compliance with provisions of applicable laws, regulation, contracts and grant agreements.

The audit firm concluded that ADF's financial statements as of fiscal years ending September 30, 2017, and 2016, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles. The audit firm did not identify any material weaknesses or significant deficiencies in its internal control over financial reporting. In addition, the audit firm found no instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements.

The audit firm identified internal control deficiencies that are described in the management letter. While the audit firm made five recommendations, we did not deem them significant enough to track within our formal recommendation process.

We appreciate the assistance extended to our staff and the audit firm employees during the engagement.

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION

ANNUAL MANAGEMENT REPORT INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016



Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 15, 2017

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION



FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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November 15, 2017

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2017 Annual Management 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 investment 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 investment 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, Youth Enterprise, 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.

C.D. Glin
President and CEO

U.S. AFRICAN DEVELOPMENT FOUNDATION



ANNUAL MANAGEMENT REPORT

2017

Section I

Executive Overview

The U.S. Congress established USADF in 1980 to give greater ownership of the economic development process to African people to achieve more sustainable results. It was a forward looking legislative act which understood that country-led foreign assistance could achieve 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.

Today, USADF remains the only U.S. foreign assistance effort exclusively dedicated to economic development activities in Africa. Since 1980, USADF has worked in more than 32 countries and 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.

Although African economies have experienced rapid economic growth in recent years, millions of African people still live in extreme hunger and poverty². Even with an increased emphasis on development in Africa, the reality is 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 part of mainstream³ Africa's economic growth. USADF's unique mandate provides the flexibility to adapt to the changing needs of different African countries and to play a leading role in modeling the best development practices which help grassroots communities gain a greater share of Africa's economic growth.

<i>USADF Strategic Fundamentals</i> What	USADF supports African-led development which 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	<p>"hard to reach communities beyond Africa's growth frontier"</p> <ul style="list-style-type: none"> • Conflict and Post Conflict Countries • Communities not achieving economic growth
Who	<p>"those who are presently underserved but ready to do their part"</p> <ul style="list-style-type: none"> • Smallholder Farmers • Youth, Women and Girls • Recovering Communities
How	<p>"connecting community enterprises with capital and technical support"</p> <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 38.5 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 minerals) and the information and communications sectors.

USADF People

USADF programs and grants reach five groups of currently underserved people ready to do their part. More than 60% of Africa's population is rural based, small-holder farmers and accounts 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 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 agriculture technology, farm inputs and capital, and entering functioning markets.

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.

Youth – between 15 and 35 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.

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.

Supporting Women-Led Enterprises

Take Annie Kruah, a leader in her community in the village of Karnplay in Nimba county, Liberia. Annie is a visionary with perseverance and grit, and is helping to spur economic growth in her community through the Gbehlay-geh Cooperative Society. Through Annie's leadership, Gbehlay-geh Society grew from a small rice cooperative to an organization that has rice, palm oil, and cassava products, beekeeping, and livestock. When her community lacked access to any financial services or banking institutions, Annie successfully lobbied for the establishment of the Gbehlay-geh Financial Institute backed by Afriland Bank. She encouraged her fellow members in civic engagement to participate in Liberia's development. Now, 95% of Gbehlay-geh's women members are registered to vote, and almost all voted in the last presidential election. When the Ebola crisis hit Liberia in 2014, Gbehlay-geh Cooperative became a stable force for the community, and continued to offer financial services and grow food during the health crisis.

In Rwanda, a decade ago, two women suffering from HIV/AIDS decided to act and self-organize. Fifteen women joined the initiative, and formed Dufashabacu, which, in local language, translates to “helping our people”. Dufashabacu is now more than 85 members strong. The women started in a non-traditional and labor-intensive business: brick-making. With a grant from USADF, Dufashabacu began its operations in making cement brick blocks, mainly used for local construction, and opened a savings and credit fund for its members to start other businesses. The grant also provided for critical training in areas such as leadership, business skills, gender-based violence, and public speaking. With their incomes from brick-making, Dufashabacu members are able to feed their families, build permanent houses and access electricity and clean water. Most of the women now have individual bank accounts and participate in making decisions on how household incomes are used.

In addition, several are serving as representatives at the village and sub-district level. These women who were once shunned in the community for their HIV positive statuses are now community leaders and model citizens.

Hope Development Initiative (HDI) in northern Uganda is empowering women one acre at a time. With a grant from USADF, Founder Agnes Atim Apea organized rice farmers in Amolatar district to grow and collectively sell rice. She had a vision to empower women by using agribusiness to unlock their sense of leadership, citizenship, and entrepreneurial spirit. Through their strength in numbers, the women of HDI cooperative were able to grow their organization, and invite other women from neighboring districts to join. Now the cooperative is over 8,000 members strong and is entirely women. Among other things, farmers receive training on how to increase their yields, receive tutorials on how to open a bank account and save money, and are able to send their children to school.

Supporting Agribusiness to Boost Food Security

The women of Kamushoko Cooperative in Uganda know that self-reliance isn't always a matter of going it alone. They attribute their recent economic and production successes to their strength in numbers.

At one time—before they were members of the Kamushoko Cooperative—the women farmed, harvested and sold their produce, such as millet and plantains, individually. On their own, they lacked bargaining power and faced limited marketing outlets. They also had inadequate storage facilities for their crops, which meant they had to sell their harvested produce immediately—at peak season, when prices were low and profits were meager.

Thanks to a grant from the U.S. African Development Foundation (USADF), these women are now banding together, bargaining collectively and turning their cooperative into a profit-making agribusiness that is boosting sales, family income and food security in their community.

Joan Mukongo has led the cooperative since 2013, when it was first funded with a food security grant to improve management and financial systems. Joan convinced the women farmers to store their crops, sell in bulk at low season and shop around for buyers. This paid off: the farmers began to speak with one voice and to sell their products together, increasing their sales revenue by over

60 percent in the very first year. By 2015, when the first grant ended, Kamushoko Cooperative had doubled its sales revenue from millet and plantains and increased its membership from 67 to nearly 100 members, almost all of which were women.

By working and bargaining together, members of the cooperative are achieving successes that would have been hard, if not impossible, to achieve on their own. They are expanding their market beyond the regular vendor in town. They are now able to invest their profits in a facility to store their grain, which allows them to sell at a time of optimal profitability. By reinvesting the profits back into the cooperative, the women are setting good examples and becoming community leaders and powerful agents for change.

By collaborating with a local USADF partner to improve their agricultural techniques and the Kamushoko Cooperative's organizational capacity, the members have pushed themselves to dream big. Today, the cooperative's members are financially independent—they are earning regular salaries, opening their first bank accounts, and sending their children to school. “We are an example in the community – showing that agriculture can be a business,” Mukongo said.

Their big dreams don't stop there. With a second grant through USADF, the women are moving ahead to expand their enterprise, purchase processing equipment, and build a commercial trading center. They hope this is just the start of a long, successful agricultural enterprise.

Investing in Off-Grid Energy Innovations

In the heart of Ethiopia, women and girls walk to find wood to fire their stoves and cook for their families. Many of them risk their safety to collect firewood to bake traditional injera, the country's staple carbohydrate. They are exposed to harmful smoke while cooking, and inefficient cook stoves and fuels lead to household air related health problems (emphysema, cataracts, cancer, heart disease, etc.) and economic burdens that disproportionately impact women and girls. In Ethiopia, 85% of rural kitchens are using wood-fired stoves, and household air pollution is the cause of over 45,000 deaths annually (21,000 of which are children). Getu Alemayehu, owner of GM Clean Energy PLC (GM) wants to change this with the production of biogas-fired injera cookstoves.

Most Ethiopian family energy needs are met from the burning of biomass products, which include charcoal, wood and animal dung. As an alternative to this, the government has made it a focus to develop Ethiopia's biogas sector. Biogas digestion is a process by which organic waste such as animal and human waste is placed in an airtight chamber to undergo an anaerobic reaction, producing a gas which can be piped into homes and burned for cooking and lighting. The technology has been successful in increasing access to modern, sustainable lighting in remote households of Ethiopia, but has been hampered by the lack of an appropriate technology to use biogas to evenly bake injera.

Enter USADF who comes in to support entrepreneurs who are piloting these programs aimed at solving development challenges. USADF awarded a \$100,000 Off-Grid Energy Challenge grant to GM to scale up production of its biogas-fired injera cookers; advancing innovative clean energy solutions, and food security and nutrition in one fell swoop. GM will ramp up production of these cook stoves at a cost of 2000 birr or 95 dollars each.

With these cookstoves, most families will reduce time and money expenditures. In addition to preserving the environment and creating healthier areas for cooking, biogas stoves will save families upward of 200-300 birr (9-14 dollars) a month. With the help of USADF, GM has also leveraged financial and technical support to build their business operations, increase production and test different types of materials to reduce price while maintaining the integrity of the technology. By the end of 2016, 50-80 cookstoves will have replaced traditional wood-fire stoves in 50-80 households.

By investing in biogas technology for cooking, USADF is supporting African-solutions and entrepreneurship. GM's biogas injera cookstoves will ease the burden and risk of firewood collection for women, support the mass production of a staple carbohydrate, and preserve the environment. This is a prime example of how supporting African entrepreneurship and ingenuity can be a centerpiece in solving long-standing development challenges.

Supporting Youth-Led Enterprise

Eric Muthomi is the founder of Stawi Foods in Kenya. He started his business when he noticed smallholder banana producers suffered from market saturation and spoilage while waiting to sell their goods. We invested \$25,000 in Stawi Foods to jumpstart this agribusiness, which links smallholder banana farmers in rural Kenya with direct market access, and produces value-added products such as banana chips and gluten free flour. By buying bananas from over 400 farmers year-round, Stawi Foods protects producers from market fluctuations and can increase their household food security by creating stable incomes on which families can depend. Here we see a good example of an entrepreneurial mindset to take age-old problems-- market saturation and food waste-- and turn it into a business opportunity. These are the types of enterprises USADF supports across the continent.

In Somalia, Linking Vulnerable Youth with Jobs Training and Placement

A recent survey showed Al-Shabab, a jihadist fundamentalist group based in East Africa, has recruited young men for as little as \$50 a month and a mobile phone. This is largely attributable to a near catastrophic unemployment rate and among youth. In Somalia, nearly 70% of youth are unemployed. Through its programming USADF is helping to fill the skills shortages by providing vocational training to over 5,000 Somali youth.

USADF provides funding to local Somalia NGOs to train unemployed youth and assist them to obtain employment and earn income. In turn, local Somalia NGOs work with local businesses to set up five-month training and apprenticeship programs for the youth. Youth participating in the program reported their income jumped from \$50 a month to \$300 a month, translating to direct benefits for themselves and their families. The USADF program provides a far better alternative to youth, who earn a higher income graduating from the USADF Somalia program.

One of USADF's local implementing partners seeks to engage, mentor and provide job skills training for young Somali men and women. USADF is one of the few organizations on the ground in Somalia able to meet the need for job skills training for unemployed youth and women. Our

community based, African-led approach guides our efforts to engage Somali youth with real and practical opportunities for employment and entrepreneurship.

USADF invests in sectors such as videography, journalism, mobile phone repair, food services, early childhood education, carpentry, glass installation, fishing, electrical, plumbing, masonry, auto repair, and beekeeping. In sectors such as IT, tailoring, office management, commodities trading, cosmetology and beekeeping, women make up more than half the number of trainees.

Shadia, a benefactor of USADF’s vocational training, was married at a young age, and in Somalia, women often bear the brunt of extreme poverty and unemployment. One day however, Shadia heard a radio announcement about a video training program. Shadia was accepted to a two-year videography training course. With her new skills, she found a job working for Puntland TV as a camerawoman. Shadia did not stop there—with a new sense of independence and empowerment, she decided to run for election in local government. “In my society, women’s participation in political fields is very limited due to cultural barriers,” says Shadia. She goes on to say family members and local tribal leaders, who openly rejected the idea of a women representing their tribe, were the biggest obstacles to her dream of becoming a political leader.

Through perseverance and hard work, she managed to garner enough votes from local women to enter and win the race of city councilor of Bossaso. Shadia's star continues to rise. She is a mentor for other youth and underserved individuals in her community, and known as a leader and inspiration among women who also dream big. Shadia describes her journey as “unemployed to a decision-maker,” and credits USADF for her flourishing career as a politician, reporter, and community leader. Shadia said, "The USADF training program empowered me to become a decision-maker and make my own destiny. I felt empowered not only to break cultural barriers, but political ones too.”

Since January 2012, USADF has funded thirteen local Somali NGOs with the goal of placing Somali youth aged 18 to 35 in permanent jobs, and trained over 5,500 Somali youth. Videography is but one sector where USADF is training female youth—journalism, wedding photography and catering are also well-sought professions due to traditional practices requiring gender-appropriate vendors. With USADF funding, a local implementing partner piloted a journalism training course in which over 8 women out of 32 graduates of the program are now prime-time anchors throughout the Puntland TV and radio service, including Zainab, who reports for a national Somali network.

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 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 \$75 million of new economic activities generated in their communities because 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 600 grants is affecting more than **2 million people** affected by extreme poverty. Second, USADF grants help generate more than **\$75 million of new economic growth**⁴ 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. Third, USADF grants help producer groups become ongoing economic growth enterprises.

USADF measures that **90% of community enterprises funded with USADF grants continue** to operate and generate income for their members.

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 efficiency to the development process.

All African Staff and Technical 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 ensures 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.

A Role in U.S. Foreign Assistance Priorities

Food Security- USADF grants support food production and market development for smallholder farmers and cooperatives as part of the Global Food Security Strategy. USADF projects help smallholder farmers develop long-term food security solutions in areas where the need is greatest. Nearly 70% of all USADF project grants focus on agricultural development and food security.

Off Grid Energy and Power Africa – Since FY 2013, and in partnership with GE Africa and USAID, USADF has awarded 75 grants worth over \$7.5 million to local entrepreneurs through the Power Africa Off-Grid Energy Challenge, and created more than 20,000 new connections to renewable energy in remote areas of nine countries, serving over 100,000 people, that leveraged

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. The impact indicator has decreased significantly, as the USADF grant portfolio has shifted towards a greater focus on building resilience and food security capabilities with high risk communities.

⁵ Less than ten cents per active grant

more than \$4.5 million **in equity from grantees, loans, and other donor contributions**. They aim to create more than 43,000 new connections through these grants as projects are completed.

USADF goes beyond grant funding by offering ongoing technical support and guidance through its network of African Technical Partners. In practice, this approach will help develop long-term business models that emphasize the delivery of much-needed energy to underserved communities, be it for agricultural processing or other purposes.

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 AGOA⁶ success stories. USADF will seek to further leverage its collective experience to help ensure 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.

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 expanded in FY 2015 to 70 awards, including awards for the Fellows and YALI Network participants in Africa. The initiative further expanded in size in FY 2016 with an additional 55 grants being awarded in amounts of \$10,000-\$25,000. In FY 2017, \$985,000 was invested into 45 Youth Entrepreneurships. The funding is the combined effort of a private and public-sector collaboration between USADF and Citi Bank Foundation.

USADF also remains committed to addressing a chronic youth under-employment problem through its innovative job training and placement programs in Somalia.

USADF Monitoring and Evaluation

USADF Washington staff and in-country program coordinators provide for independent monitoring of project expenditures and 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 2017, USADF implemented a new comprehensive monitoring and evaluation design to guide future evaluation efforts.

⁶ African Growth and Opportunity Act (AGOA)

Acting on Monitoring and Evaluation Evidence

Closely tracking the progress of grant implementation plans and budgets is an important grant management function. Monitoring can identify early problems, ensure additional support is applied, and provide necessary evidence for impact assessments. USADF Regional Directors and Field Operations staff are responsible for ensuring 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 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 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 an opportunity for USADF to identify specific areas for program improvement and keeps USADF focused on results.

Portfolio Performance Status (6/30/17)

Portfolio Performance Status for Period: Active on 9/30/17 or later, Disbursement values current through 9/30/17; Grades per data from quarter ending June 30, 2017.

	*Active Projects	Active Value (USD)	% Value Disb TD	FY16/17 Days 2 nd Disb	Graded Projects	GPA	Project GRADES				
							A	B	C	D	F
Benin	23	3,039,705	51%	86	17	3.6	11	6	0	0	0
Burkina Faso	21	2,896,173	58%	86	14	3.4	7	6	1	0	0
Burundi	14	2,125,886	57%	95	11	3.4 ↑	7	1	3	0	0
DRC	2	153,096	30%	75	2	4.0	2	0	0	0	0
Guinea	1	248,504	-	-	-	-	0	0	0	0	0
Mali	19	1,950,485	61%	100	13	3.1 ↓	4	7	1	1	0
Mauritania	15	1,636,513	43%	114	11	3.4 ↑	7	2	1	1	0
Niger	18	2,023,354	61%	142	14	3.6 ↑	10	2	2	0	0
Rwanda	22	4,039,808	54%	102	15	3.1 ↓	7	5	2	0	1
Senegal	25	2,337,244	66%	90	18	3.3 ↑	10	6	1	0	1
Kenya	15	1,857,254	33%	88	7	4.0 ↑	7	0	0	0	0
Liberia	18	1,879,838	66%	67	14	2.6 ↑	2	4	8	0	0
Malawi	13	1,656,530	55%	68	10	3.2	3	6	1	0	0
Nigeria	28	2,995,633	47%	93	22	3.5	13	8	1	0	0
Somalia	9	2,161,590	36%	130	7	3.9 ↑	6	1	0	0	0
South Sudan	7	686,851	39%	192	4	2.8 ↑	0	3	1	0	0
Tanzania	18	1,959,919	48%	118	12	3.1 ↑	4	6	1	1	0
Uganda	30	5,223,886	62%	107	20	3.5 ↑	13	5	1	1	0
Zambia	25	3,237,236	75%	106	20	3.3	12	2	5	1	0
Zimbabwe	16	2,705,052	51%	100	12	2.9	6	3	1	0	2
Sub Total	339↓	44,178,309	58%↓	103↓	243	3.3↑	131↑	73↓	30↓	5↓	4
Small Grants	4	51,628	100%								
Power Africa	57	5,874,227	63%		48	3.1↓	19	17	12	0	0
YALI	32	870,000	9%								
Sub Total	93	6,979,351	57%								
Total	432	51,157,600	51%	113	291	3.3	150	90	42	5	4

- 1 Active Projects = any grant with expiration date of 9/30/17 or later, (not Partner CAs or Self Help Small Grants)
- 2 Active Value = sum of obligated USD amount for all active projects, (not Partner CAs or Self Help Small Grants)
- 3 % Disb = sum of all disbursements / active value for active grants through 9/30/17 (LCU value for Core grants, USD value of Small Grants, Power Africa and YALI)
- 4 Avg Days to 2nd Disbursement = the average days from obligation date to 2nd disbursement date for FY16/17 projects disbursed in FY16 and FY17 - the goal is 135 days. (Note, in April 2018, the review period will shift to disbursement of FY17/18 grants.)
- 5 Grades of projects that were active on 9/30/17, and are at least six months old with one QR submitted.
 A = 80% or better project achievement levels, and meets disbursement plans, and provides quality quarterly reports on time.
 B = 50% or better project achievement levels, and meets disbursement plans, or provides quality quarterly reports on time.
 C = 50% or better project achievement levels, or meets disbursement plans, or provides quality quarterly reports on time.
 D= meets none of the performance categories, or three consecutive "C"s.
 F= after two consecutive "D" grades.
- 6 Percent Projects graded: 73%↓ = 291 / 396; (51% A↑, 30% B↓, 14% C, 1% D↓, 1% F↓)

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, country-specific evaluations were conducted in Niger, Senegal, and Rwanda. In FY2016, USADF began rolling out a revised M/E framework to better reflect its corporate strategy focus on resilience and growth portfolios. In FY 2017 a three-country impact evaluation was done in Malawi, Zambia and Zimbabwe, which includes data from 18 projects. 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 six-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 can improve its operations and program initiatives, furthering its ability to achieve mission success.

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.

Creating Pathways to Prosperity for Underserved Communities

USADF is dedicated to African-led development. USADF grants invest in African owned and led enterprises which improve lives and livelihoods in poor and vulnerable communities in Africa.

Active Core Portfolio (per 10/18/17 assessment)

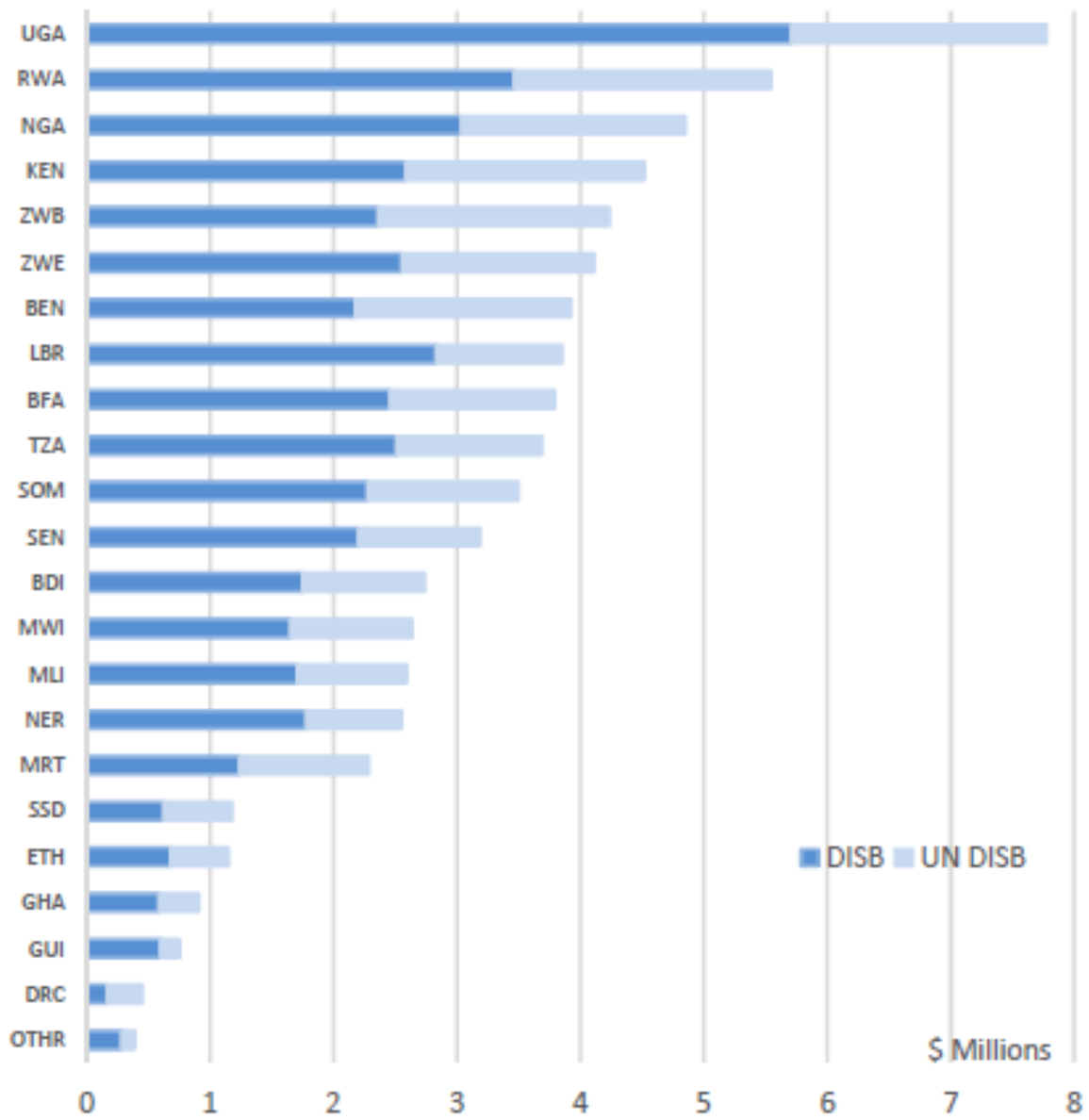
Program	Grants	Value (\$M)	Impact (\$M)	People	Follow On
Core	339	\$44.2	\$88	1,356,000	33%
Off Grid	57	\$5.9	\$6	220,000	
YEP	32	\$0.9	\$1	90,000	
SHG	4	\$0.1	\$0		
TOTAL	432	\$51.0	\$95	1,666,000	

Impact = projected new economic activities generated over full grant period

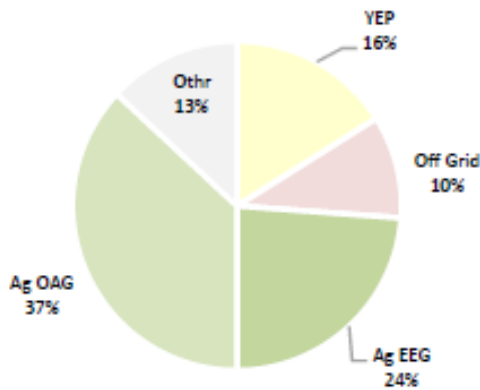
People = number of direct beneficiaries/connections x family factor of 5,

Follow On = % of growth grants that receive additional external funding

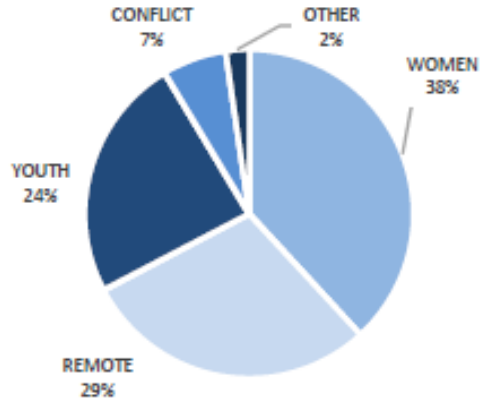
Active Grants Allocations and Disbursement Status (per 9/30/17)



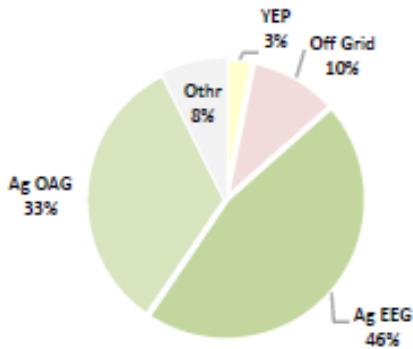
Strategic Sectors
(Active Grants 9/30/17, % by Num of Grants)



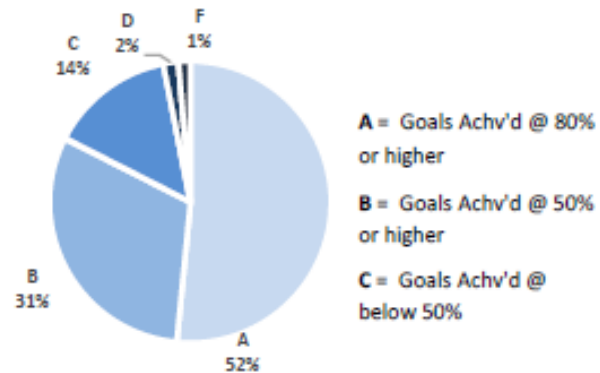
Under Served Groups
(Active Grants 9/30/17, % by Num of Grants)



(Active Grants 9/30/17, % by USD)



Grant Grades (per 10/18/17 assessment)



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 even more important in bringing economic engagement and hope, and fostering the conditions for peace and sustainability among vulnerable populations.

USADF accomplishes its mission through its commitment to grassroots economic development – where local communities identify and develop projects that generate sustained business outcomes and further development goals. USADF's approximately 600 active development project grants in over 18 core countries represent \$75 million in investments. With nearly 80% of all projects involving the production and/or processing of agricultural products, USADF is an important supporter of the Global Food Security Strategy. 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 persons with disabilities, concentrating in regions beyond the reach of other development agencies.

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 can 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.*



November 15, 2017

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's Federal Information Security Management Act of 2014 (FISMA) report has identified no significant deficiencies that are required to be reported as material weakness. 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) 18 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 unmodified assurance that internal controls over financial reporting as of September 30, 2017 are operating effectively; no material weaknesses have been found in the design or operation of the internal controls over financial reporting.

C.D. Glin
President and CEO



November 15, 2017

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

MESSAGE FROM THE CFO

I am pleased to present, as part of the Foundation's FY 2017 Annual Management Report, the FY 2017 Financial Statements for the United States African Development Foundation (USADF). USADF once again received an unmodified (clean) opinion on the FY 2017/2016 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, 2017 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) 18 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.



Mathieu Zahui
Chief Financial Officer, Acting

U.S. AFRICAN DEVELOPMENT FOUNDATION

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

**FOR THE YEARS ENDED
SEPTEMBER 30, 2017 AND 2016**



**Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 15, 2017**



INDEPENDENT AUDITOR'S REPORT

African Development Foundation
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying statements of financial position of the African Development Foundation (ADF) as of September 30, 2017 and 2016, and the related statements of operations and changes in net position and statement of cash flows (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 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. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 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, 2017 and 2016, and the related statements of operations and changes in net position, and statement of cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

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, Assurance Statement from the CEO and the Other Information* section 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 the 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 over financial reporting 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 the ADF's financial statements are free from material misstatement, we performed tests of its compliance with certain 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 those provisions of laws, regulations, contracts and grant agreements, and we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards or OMB Bulletin No. 17-03.

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 over financial reporting, 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, (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. 17-03 requires testing, and (3) applying certain limited procedures with respect to the OI.

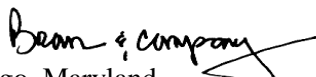
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. 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 the 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. 17-03 that we deemed applicable to the ADF's financial statements for the fiscal year ended September 30, 2017. 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 the 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 the ADF, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.



Largo, Maryland
November 15, 2017

FINANCIAL STATEMENTS AND NOTES

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 34,993,149	\$ 38,578,159
Total Intragovernmental	34,993,149	38,578,159
Cash, and Other Monetary Assets (Note 3)	3,904,147	3,450,812
Accounts Receivable, Net (Note 4)	-	349
Property, Equipment, and Software, Net (Note 5)	559,884	946,135
Other (Note 6)	1,073,406	1,105,674
Total Assets	\$ 40,530,586	\$ 44,081,129
Liabilities:		
Intragovernmental		
Other (Note 8)	\$ 41,577	\$ 43,500
Total Intragovernmental	41,577	43,500
Accounts Payable	47,090	311,154
Other (Note 8)	844,035	595,206
Total Liabilities (Note 7)	\$ 932,702	\$ 949,860
Net Position:		
Unexpended Appropriations	\$ 34,490,307	\$ 38,206,552
Cumulative Results of Operations	5,107,577	4,924,717
Total Net Position	\$ 39,597,884	\$ 43,131,269
Total Liabilities and Net Position	\$ 40,530,586	\$ 44,081,129

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Revenue:		
Appropriations Received	\$ 31,146,851	\$ 29,965,939
Imputed Financing (Note 12)	191,145	283,234
Donations	2,230,287	1,822,520
Total Revenue	\$ 33,568,283	\$ 32,071,693
Expenses:		
Foreign Grant Program (Note 11)	\$ 33,385,423	\$ 32,306,091
Total Expenses	\$ 33,385,423	\$ 32,306,091
Net Revenue (Loss)	\$ 182,860	\$ (234,398)
Net Position:		
Net of Revenue (Loss)	\$ 182,860	\$ (234,398)
Increase/(Decrease) in Unexpended Appropriations, Net	(3,716,245)	2,381,421
Increase/(Decrease) in Net Position, Net	(3,533,385)	2,147,023
Net Position, Beginning Balance	43,131,269	40,984,246
Net Position, Ending Balance	\$ 39,597,884	\$ 43,131,269

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016
(In Dollars)

	2017	2016
Cash Flows From Operating Activities:		
Net Revenue (Loss)	\$ 182,860	\$ (234,398)
Adjustments Affecting Cash Flow:		
Decrease/(Increase) in Cash and Other Monetary Assets	\$ (453,335)	\$ 379,014
Decrease/(Increase) in Property, Equipment, and Software	386,251	327,794
Decrease/(Increase) in Other Assets	32,268	(30,588)
Decrease/(Increase) in Accounts Receivable	349	(349)
Increase/(Decrease) in Accounts Payable and Other Liabilities	(17,158)	322,591
Total Adjustments	(51,625)	998,462
Net Cash Provided/(Used) by Operating Activities	\$ 131,235	\$ 764,064
Cash Flows From Financing Activities:		
Appropriations Received, Net	\$ (1,146,851)	\$ 34,061
Rescissions and Cancellations	(2,569,394)	(1,652,640)
Appropriations Transferred In/Out	-	4,000,000
Net Cash Provided by Financing Activities	\$ (3,716,245)	\$ 2,381,421
Net Increase/(Decrease) in Fund Balance with Treasury	\$ (3,585,010)	\$ 3,145,485
Fund Balance with Treasury, Beginning	38,578,159	35,432,674
Fund Balance with Treasury, Ending	\$ 34,993,149	\$ 38,578,159

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, by-passing 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 Statement of Financial Position presents the assets, liabilities, and net position of the agency. The Statement of Operations and Changes in Net Position presents the agency's operating results and displays the changes in the agency's equity accounts. The Statement of Cash Flows presents how changes in the agency's financial position and results affected its cash (Fund Balance with Treasury) and presents analysis of operating and financing activities.

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 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: EcoBank Benin, EcoBank Kenya, Ecobank Guinea, EcoBank Malawi, EcoBank Mali, Zenith Bank Nigeria, EcoBank Nigeria, Banque Commerciale du Rwanda (I&M Bank Limited), EcoBank Senegal, Stanbic Bank of Uganda.

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-one 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 \$25,000 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 100%.

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 (FEGSIP) 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 Cost/Financing Sources

Federal Government entities often receive good 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 2017 and 2016 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2016 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, 2017 and 2016 were as follows:

	2017	2016
Fund Balances:		
Trust Funds	\$ 905,782	\$ 798,172
Appropriated Funds	34,087,367	37,779,987
Total Fund Balance with Treasury	34,993,149	38,578,159
Funds Held Outside of Treasury	3,904,147	3,450,812
Total	\$ 38,897,296	\$ 42,028,971

Status of Fund Balance with Treasury:

Unobligated Balance		
Available	\$ 2,523,732	\$ 2,983,025
Unavailable	2,605,623	2,429,009
Obligated Balance Not Yet Disbursed	33,767,941	36,616,937
Total	\$ 38,897,296	\$ 42,028,971

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, 2017 and 2016, totaled \$3,904,147 and \$3,450,812, respectively. The comparative balances are summarized below:

	2017	2016
EcoBank Benin	962,324	\$ 847,182
Bank Gaborone of Botswana	115,046	109,424
Cape Verde	20,717	21,653
Standard Chartered Ghana	1,187	1,187
EcoBank Guinea	24,434	24,434
National Bank of Malawi	173,245	224,574
EcoBank Mali	329,535	310,768
EcoBank Nigeria	72,880	75,552
Zenith Bank Nigeria	41,984	41,984
I&M Bank Limited Rwanda	533	597
EcoBank Senegal	76,531	72,645
First National Bank Swaziland	12,236	11,069
Stanbic Bank of Uganda	2,073,495	1,709,743
Total Funds Held Outside Treasury	\$ 3,904,147	\$ 3,450,812

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2017 and 2016, were as follows:

	2017	2016
With the Public		
Employee Receivables	\$ -	\$ 349
Total Accounts Receivable	\$ -	\$ 349

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2017:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Property & Equipment	\$ 893,874	\$ 762,895	\$ 130,979
Software	819,784	437,218	382,566
Software-in-Development	46,339	-	46,339
Total	\$ 1,759,997	\$ 1,200,113	\$ 559,884

Schedule of Property, Equipment, and Software as of September 30, 2016:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Property & Equipment	\$ 1,852,501	\$ 1,496,340	\$ 356,161
Software	819,784	273,261	546,523
Software-in-Development	43,451	-	43,451
Total	\$ 2,715,736	\$ 1,769,601	\$ 946,135

NOTE 6. OTHER ASSETS

Other assets account balances as of September 30, 2017 and 2016 were as follows:

	2017	2016
With the Public		
Grant Advances	\$ 938,438	\$ 1,013,086
Country Program Coordinator Advances	114,152	73,377
Travel Advances	20,816	19,211
Total Other Assets	\$ 1,073,406	\$ 1,105,674

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2017 and 2016 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.

	2017	2016
Intragovernmental – FECA	\$ -	\$ 2,344
Unfunded Leave	328,704	366,154
Total Liabilities Not Covered by Budgetary Resources	\$ 328,704	\$ 368,498
Total Liabilities Covered by Budgetary Resources	603,998	581,362
Total Liabilities	\$ 932,702	\$ 949,860

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, 2017 were as follows:

	Current	Non Current	Total
Intragovernmental			
Payroll Taxes Payable	\$ 41,577	\$ -	\$ 41,577
Total Intragovernmental Other Liabilities	\$ 41,577	\$ -	\$ 41,577
With the Public			
Payroll Taxes Payable	\$ 5,739	\$ -	\$ 5,739
Accrued Funded Payroll and Leave	336,202	-	336,202
Unfunded Leave	328,704	-	328,704
Other Liabilities	173,390	-	173,390
Total Public Other Liabilities	\$ 844,035	\$ -	\$ 844,035

Other liabilities account balances as of September 30, 2016 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 2,344	\$ -	\$ 2,344
Payroll Taxes Payable	41,156	-	41,156
Total Intragovernmental Other Liabilities	\$ 43,500	\$ -	\$ 43,500
With the Public			
Payroll Taxes Payable	\$ 5,715	\$ -	\$ 5,715
Accrued Funded Payroll and Leave	223,337	-	223,337
Unfunded Leave	366,154	-	366,154
Total Public Other Liabilities	\$ 595,206	\$ -	\$ 595,206

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
2018	\$ 808,589
2019	828,804
2020	853,853
2021	881,261
2022	903,293
Thereafter	5,471,470
Total Future Payments	\$ 9,747,270

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. 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, 2017. 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 11. 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:

	2017	2016
Foreign Grant Program		
Intragovernmental Costs	\$ 16,871	\$ 9,559
Public Costs	24,976,894	23,416,696
Total Foreign Grant Program Costs	24,993,765	23,426,255
Public Earned Revenue	(10,169)	-
Net Foreign Grant Program Costs	\$ 24,983,596	\$ 23,426,255
Costs Not Assigned to Programs		
Intragovernmental Costs	\$ 2,932,595	\$ 3,238,364
Public Costs	5,469,232	5,641,472
Total Costs Not Assigned to Programs	\$ 8,401,827	\$ 8,879,836
Total Intragovernmental costs	\$ 2,949,466	\$ 3,247,923
Total Public costs	30,446,126	29,058,168
Total Costs	33,395,592	32,306,091
Total Public Earned Revenue	(10,169)	-
Total Net Cost	\$ 33,385,423	\$ 32,306,091

NOTE 12. 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, 2017 and 2016, respectively, imputed financing was as follows:

	2017	2016
Office of Personnel Management	\$ 191,145	\$ 283,234
Total Imputed Financing Sources	\$ 191,145	\$ 283,234

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2017 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2018 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2018 Budget of the United States Government, with the "Actual" column completed for 2016, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

FY2016	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$43,000,000	\$37,000,000	\$1,000,000	\$30,000,000
Spending Authority from Offsetting Collections	(1,000,000)			
Unobligated Balance Not Available	(2,000,000)			
Budget of the U.S. Government	\$40,000,000	\$37,000,000	\$1,000,000	\$30,000,000

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2017 and 2016 consisted of the following:

	2017	2016
Direct Obligations, Category A	\$ 8,443,418	\$ 8,992,383
Direct Obligations, Category B	22,463,983	25,768,737
Direct Obligations, Category E	2,824,329	2,363,157
Total Obligations Incurred	\$ 33,731,730	\$ 37,124,277

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 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the periods ended September 30, 2017 and 2016, undelivered orders amounted to the following:

	2017	2016
Undelivered Orders	\$ 34,237,349	\$ 37,141,248
Total Undelivered Orders	\$ 34,237,349	\$ 37,141,248

NOTE 16. 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. For the periods ended September 30, 2017 and 2016, collections totaled \$3,084 and \$4,728.

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.

	2017	2016
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 33,731,730	\$ 37,124,277
Spending Authority From Offsetting Collections and Recoveries	(4,438,158)	(2,976,781)
Obligations Net of Offsetting Collections and Recoveries	29,293,572	34,147,496
Offsetting Receipts	(1,580,287)	(1,172,520)
Net Obligations	27,713,285	32,974,976
Other Resources		
Imputed Financing From Costs Absorbed By Others	191,145	283,234
Net Other Resources Used to Finance Activities	191,145	283,234
Total Resources Used to Finance Activities	27,904,430	33,258,210
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	2,903,899	(3,102,265)
Resources That Fund Expenses Recognized In Prior Periods	(39,445)	-
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Other	2,230,287	1,822,520
Resources That Finance the Acquisition of Assets	10,500	(43,451)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	10,169	-
Total Resources Used to Finance Items Not Part of Net Cost of Operations	5,115,410	(1,323,196)
Total Resources Used to Finance the Net Cost of Operations	33,019,840	31,935,014
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	-	181
Increase In Exchange Revenue Receivable From the Public	-	(349)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In Future Periods	-	(168)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	287,607	371,245
Revaluation of Assets or Liabilities	77,976	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	365,583	371,245
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	365,583	371,077
Net Cost of Operations	\$ 33,385,423	\$ 32,306,091

U.S. AFRICAN DEVELOPMENT FOUNDATION

**INDEPENDENT AUDITOR'S
MANAGEMENT LETTER**

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

**U.S. AFRICAN DEVELOPMENT FOUNDATION
SEPTEMBER 30, 2017
FY 2017 MANAGEMENT LETTER COMMENT**

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To the President, Chief Executive Officer of
U.S. African Development Foundation
Washington, D.C.

In planning and performing our audit of the financial statements of the U.S. African Development Foundation (USADF) as of and for the year ended September 30, 2017, on which we have issued our report dated November 15, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered USADF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control. Accordingly, we do not express an opinion on the effectiveness of USADF's internal control. This report is based on our knowledge as of the date of our report on the financial statements, obtained in performing our audit thereof, and should be read with that understanding.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control. However, during the audit, we noted certain matters involving the internal control and other operating matters that are presented for your consideration. This letter does not affect our report dated November 15, 2017 on the financial statements. The management letter comment is summarized in Appendix A. Although we will include management's response, when available, in Appendix B, such response will not be subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the response or the effectiveness of any corrective actions described therein.

This communication is intended solely for the information and use of the management of USADF, OMB, OIG and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland
November 15, 2017

**U.S. AFRICAN DEVELOPMENT FOUNDATION
SEPTEMBER 30, 2017
FY 2017 MANAGEMENT LETTER COMMENT**

ML-17-1 USADF Needs to Improve Controls over Funds Held Outside of Treasury (repeat)

Condition:

U.S. African Development Foundation (USADF) implemented the auditor's 2017 recommendation to close dormant bank accounts for Botswana, Cape Verde, Ghana and Swaziland. However, USADF still needs to improve internal controls over Funds Held Outside of Treasury (FHOT). The agency was not able to confirm two foreign account balances with the banks. The USADF received the bank statement for the foreign bank accounts, however, USADF did not receive the bank confirmation for the following.

Exhibit 1. Schedule of missing bank confirmations.

	Foreign Bank Account	USADF Foreign Bank Account Reconciliation Balances (USA) August 2017
	Nigeria Kaduna	\$ 42,436.40
	Total	\$42,436.40 USA

Criteria:

The Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires federal managers to follow the standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the International Organization for Standardization (ISO) to incorporate internal control as part of the larger risk management process.

The responsibilities of managing risk are shared throughout the federal agency from the highest levels of executive leadership to service delivery staff executing Federal programs.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting. Reliability of financial reporting means that management can reasonably make the following assertions:

- All reported transactions actually occurred during the reporting period, and all assets exist as of the reporting date (existence and occurrence);

- All assets and transactions that should be reported have been included, and no unauthorized transactions or balances are included (completeness); All assets are legally owned by the agency (rights);
- All assets have been properly valued, and where applicable, all costs have been properly allocated (valuation); and
- All assets have been safeguarded against fraud and abuse.

Cause:

USADF lack internal control procedures to ensure bank confirmation are obtained and reviewed. Also, the foreign banks are very reluctant to send written confirmation of bank balances.

Effect:

The lack of USADF's review of foreign bank balance confirmations increased the risk that all reported transactions did not actually occurred during the reporting period. Therefore, the FHOT account balance could be misstated. It could lead to fraud and lack of the agency's accountability.

Recommendations:

1. We recommend that USADF Chief Financial Officer (CFO) revise the FHOT policies and procedures that address the internal control, monitoring and reporting for foreign accounts.
2. We recommend that USADF CFO obtain the bank confirmations to reconcile its FHOT accounts with the foreign accounts of the banks.

Management's Response:

See Appendix B

ML-17-2 USADF Senior Management Must Ensure the Agency Meets Office of Management and Budget Reporting Requirements for the Draft Audit Report.

Condition:

The USADF's senior management did not have adequate internal controls in place to ensure the USADF's fiscal year 2017 Annual Management Report (AMR) and financial statements are completed, approved and submitted to the independent auditor in a timely manner. The USADF draft AMR was due to the auditor by October 17, 2017 for examination and analysis. However, USADF sent the auditor the draft AMR on November 2, 2017. Consequently, USADF did not meet the OMB requirement to submit the AMR

to the OMB by October 31, 2017, which is 10 business days before the final AMR is due (November 15, 2017).

Criteria:

The Office of Management and Budget Circular A-136, revised, *Financial Reporting Requirements* requires federal managers submit a complete draft of the Annual Management Report to OMB’s Office of Federal Financial Management (OFFM) and appropriate OMB Resource Management Office 10 business days before the final Annual Management is due. If the audit report is not available when the draft is submitted to OFFM, agencies should provide their draft audit report to OMB as soon as it is available.

Cause:

USADF’s senior management’s did not provide the resources required to review the draft AMR and financial statements in a timely manner, and ensure the draft AMR and financial statements are complete, accurate, and submitted to OMB by the due date.

Effect:

The USADF’s late submission of the draft AMR to OMB delayed the agency’s receipt of OMB’s comments on the draft AMR and financial statement. USADF received OMB’s comments to revise the draft AMR on November 9, 2017, which effected the completion of the audit.

Recommendations:

1. We recommend that President/Chief Executive Office develop policies and procedures to ensure the agency meets its OMB reporting requirement for the draft Annual Management Report.
2. We recommend the Chief Financial Officer develop policies and procedures to ensure all accounting records and financial reports are provided to the auditor by the auditor’s due dates.
3. We recommend the Chief Financial Officer comply with the OMB reporting requirements for the draft report.

Management’s Response:

USADF concurred with the auditor’s recommendations.
See Appendix B for USADF Management’s Response.

Auditor’s Evaluation of Management’s Comments

USADF concurred with the recommendations and plans to improve agency’s policies and procedures.

**U.S. AFRICAN DEVELOPMENT FOUNDATION
SEPTEMBER 30, 2017
MANAGEMENT RESPONSE**



November 15, 2017

Gail Jenifer, Member
Brown & Company Certified Public Accountants and
Management Consultants, PLLC
1101 Mercantile Lane, Suite 122
Largo, Maryland 20774

Subject: Management's Response to the Draft FY 2017 Management Letter

Dear Ms. Jenifer:

US African Development Foundation (USADF)'s Management has reviewed the draft Management Letter for the Fiscal Year (FY) 2017 Financial Statements Audit. USADF President & CEO, and Finance & Administration concur with recommendations contained in the draft FY 2017 Management Letter, which ensure in multiple ways to minimize the recurrence of the problems. The following is Management's response to the FY 2017 recommendations.

ML-17-1 USADF Needs to Improve Controls over Funds Held Outside of Treasury (repeat)

Recommendations:

1. We recommend that USADF Chief Financial Officer (CFO) revise the FHOT policies and procedures that address the internal control, monitoring and reporting for foreign accounts.
2. We recommend that USADF CFO obtain the bank confirmations to reconcile its FHOT accounts with the foreign accounts of the banks.

Management's Response:

1. USADF Management recognizes that its current policies and procedures for the FHOT related to the internal control, monitoring and reporting for foreign accounts though adequate, can always be improved. Revisions and update of the policies and procedures will be ready by February 2018.

2. In the past two years, USADF Management has worked with its banking partners, Ecobank, Zenith Bank, Stanbic Bank, and Rwanda National Bank to revise their internal procedures so to better serve our needs of getting the bank balance confirmation forms back to our auditors on timely manner. We continue to strive to improve the process. USADF has already scheduled a key meeting on November 29, 2017 with Ecobank London Regional office to address the issue.


ML-17-2 USADF senior management must ensure the agency meets Office of Management and Budget reporting requirements for the draft audit report.

Recommendations:

1. We recommend that President/Chief Executive Office develop policies and procedures to ensure the agency meets its OMB reporting requirement for the draft Annual Management Report.
2. We recommend the Chief Financial Officer develop policies and procedures to ensure all accounting records and financial reports are provided to the auditor by the auditor's due dates.
3. We recommend the Chief Financial Officer comply with the OMB reporting requirements for the draft report.

Management's Response:

1. USADF Management has taken notes and recognizes that the shift from preparing a Performance Accountability Report (PAR) for the past decade to an Annual Management Report (AMR) has caused a delay for FY 2017 draft. Policies and procedures are in the process of being drafted and new procedures for preparing, and clearing the draft will be in place by January 2018.
2. USADF wants to emphasize that most critical financial and accounting records were provided to the auditors on timely manner. Documents referenced in this recommendation are for most part, third party's documents. USADF has always strive to improve its processes, a revision of existing policies and procedures will be undertaken immediately to produce a new guideline by January 2018.
3. USADF has taken note of the recommendations and will strive to meet the OMB reporting requirements.



C.D. Glin, President & CEO