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

Audit of the U.S. African Development Foundation's Fiscal Years 2018 and 2017 Financial Statements

AUDIT REPORT 0-ADF-19-002-C
November 15, 2018

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MEMORANDUM

DATE: November 15, 2018

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 2018 and 2017 Financial Statements (0-ADF-19-002-C)

Enclosed is the final audit report on the U.S. African Development Foundation's (USADF) financial statements as of September 30, 2018, and 2017. The Bureau of Fiscal Services, Department of the Treasury, contracted with the independent certified public accounting firm of Brown and Company, CPAs and Management Consultants PLLC (Brown) to conduct the audit, and the Office of Inspector General (OIG) provided oversight. The contract required Brown to perform the audit in accordance with generally accepted government auditing standards.

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

The audit objectives were to (1) express an opinion on whether USADF's financial statements as of September 30, 2018, and 2017, were presented fairly, in all material respects; (2) consider relevant internal control and design audit procedures that are appropriate; 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. To answer the audit objectives, Brown assessed risk, considered internal control, and designed audit procedures relevant to USADF's presentation of its 2018 and 2017 financial statements.

Brown concluded that USADF's financial statements for the fiscal years ending September 30, 2018, and 2017, 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 USADF's 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.

We appreciate the assistance extended to audit staff 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, 2018 AND 2017

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 14, 2018

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
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MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2018 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

C.D. Glin
President and CEO

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U.S. AFRICAN DEVELOPMENT FOUNDATION
ANNUAL MANAGEMENT REPORT

2018

Creating pathways to prosperity for underserved communities in Africa

Section I

Executive Overview

Created by Congress in 1980, the U.S. African Development Foundation (USADF) functions as a complement to other U.S. foreign assistance efforts by implementing distinctive, high impact programs in Africa that deliver results for underserved communities. USADF aligns with U.S. economic and strategic priorities in Africa to create jobs, new markets and shared prosperity for Americans and Africans. USADF complements and extends the reach of U.S. assistance to critical and often remote regions, increasing U.S. strategic presence in areas such as the Sahel, Horn of Africa and Great Lakes region. The USADF model promotes self-reliance, entrepreneurship and community-led solutions for poor and vulnerable populations in over 20 countries. USADF invests directly in early stage African enterprises and utilizes in-country technical experts to improve the lives and livelihoods of those beyond the reach of other development initiatives, including smallholder farmers, women and girls, and unemployed youth.

The USADF development model is effective, efficient and delivers a significant return on investment to the U.S. taxpayer. Its programs contribute to peace, stability and local economic development by cultivating sustainable business solutions to address food insecurity, unemployment, and poverty throughout Africa. USADF's size and operating model, which utilizes 100% African staff and partners, makes it a highly flexible, innovative, and effective foreign assistance provider to Africa. An independent study[1] of U.S. Government foreign assistance providers by the Center for Global Development ranked USADF second only to the Millennium Challenge Corporation (MCC) on the maximizing foreign aid efficiency scale.

Additionally, USADF extends the reach of taxpayer dollars by leveraging funding from private sector organizations and host country governments. Thirteen African governments have provided $25 million directly to USADF programs over the past ten years. USADF also leverages funding from corporate partners such as General Electric, the Citi Foundation, All On (an impact investing company) and Dahabshiil Bank. This leveraged funding allows USADF to provide more small enterprises with transformative seed capital, maximizing U.S. foreign assistance dollars and impacting communities often left behind in Africa's growth story. Over the past five years, USADF has invested $100 million in more than 800 enterprises that have helped create $200 million of new economic activity across African communities. For many African countries and communities, as well as private sector corporations, USADF has become a partner of choice to gain measurable results in creating pathways to prosperity for poor and vulnerable populations.

USADF FY 2018 Priorities

To continue the agency's distinctive and impactful programs, USADF fiscal year 2018 priorities focus on three key pillars: achieving transformative programs through innovation and pilot initiatives, investing in African implementing partners, and leveraging partnerships. USADF will

1Center for Global Development's "*Quality of Official Development Assistance Assessment Report*," 2010 and 2013.

also continue its drive toward greater impact and results, with a focus in FY 2018 on implementing a revised grant outreach, selection, design and evaluation process which ensures a consistent, scalable approach to selecting grants that can achieve significant results for communities across Africa. The agency's FY 2018 appropriation of $30 million enables USADF to award approximately 145 new grants in more than 20 countries to support enterprise expansion, resilience-building and off-grid energy access expansion for hundreds of communities. These resources will allow USADF to continue monitoring an active total grant portfolio of $45 million.

Transformative Programs

USADF invests directly in grassroots, early stage African enterprises, providing seed capital and local technical assistance for underserved communities. USADF has established a model for transformative programs based on effectiveness, efficiencies and return on taxpayer investments. USADF grants currently support 400 community enterprises across more than 20 countries in Africa. In FY 2017, new USADF grant funding helped community enterprises generate over $40 million of new economic activity benefiting more than 625,000 people.

USADF investments support local enterprise development, beginning with a significant focus on agriculture as Africa's largest sector. USADF catalyzes inclusive agricultural-led economic growth to build self-sufficiency and increase productivity and incomes for small-scale farmers. Complementing its work in agriculture, USADF pioneers efforts to direct development resources toward two other key challenges on the continent, rural off-grid energy connectivity and support for young entrepreneurs to build businesses.

Under the U.S. Government's Electrify Africa initiative, USADF and General Electric are collaborating to provide grant financing of $100,000 to more than 70 enterprises to bring connectivity and energy solutions to communities far from the grid. In partnership with the Citi Foundation, USADF supports an entrepreneurial financing program for hundreds of Africa's most promising young business leaders. To date, USADF has funded more than 200 entrepreneurs with $4 million in grant financing to those who are starting their own businesses and creating jobs.

These programs work together to increase food security, power local enterprise growth, and provide meaningful work and income potential for Africa's rising youth populations. Furthermore, USADF's work in these areas ensures that critical U.S. development initiatives enacted by Congress such as the Global Food Security Act, Electrify Africa Act, and the African Growth and Opportunities Act (AGOA) extend to rural populations living beyond Africa's growth frontier.

USADF's agile development model allows it to establish programs in post-conflict areas in months, not years, and prioritizes innovative programs and new approaches to be integrated into core investments. For example, USADF partnered with a private sector partner to pilot a new digital mapping tool for farmers in Rwanda and Tanzania to predict exact information on the size of their land, which will help farmers increase crop yields and sale revenues.

To design innovative, transformational programs, in FY 2018 USADF began implementing a new grant outreach, identification and selection process and updating its Monitoring and Evaluation approach to better align all program activities with strategic priorities and to expand its evidence-based approach. Continuous improvement efforts such as these enable USADF to fulfill its mission and deliver innovative, transformational programs.

High Impact Partners

USADF's distinctive and impactful approach is predicated on its in-country network of local implementing partners. All USADF funding in Africa increases the capacity of African institutions and leaders. USADF's operating model utilizes local African staff and partner organizations to implement, manage and monitor over 400 active project grants across 20 countries valued at $45 million. Working through host country staff and African partners increases local ownership in the development process and creates strong links that help community enterprise grant organizations achieve results-driven growth. USADF's selected African implementing partner institutions bring local knowledge of market linkages, connections to government and other actors in-country and a strong enterprise development background. Local staff are also uniquely positioned to help USADF operate successfully in challenging environments and post-conflict communities.

In FY 2018, USADF will continue refining its monitoring and evaluation (M&E) systems to drive additional efficiencies and effectiveness. Aligned with the ADF Act mandate to invest in and increase the capacity of local partner institutions, USADF is broadening the strategies used to strengthen the capabilities and skills of its local implementing partners. In March 2018, USADF staff and implementing partners came together in Ghana for a monitoring and evaluation workshop focused on strengthening the M&E capacities of implementing partners, as well as enhancing and standardizing their current tools, best practices and approaches to performance and outcomes monitoring and evaluation. Going forward, USADF will seek opportunities for continuous improvement of its M&E infrastructure, ensuring measurable results in creating pathways to prosperity for underserved communities in Africa.

Expanded Impact Through Partnerships and Collaboration

USADF maximizes the impact of U.S. taxpayer dollars by matching appropriated funds with those from host African governments who invest their own funds directly into USADF programs. Thirteen African governments have provided $25 million directly to USADF programs over the past ten years. In FY 2017, USADF leveraged matching funds from the Governments of Benin, Malawi and Uganda. In FY 2018, USADF will continue strengthening relationships with host country governments and leveraging additional matching funds. Over the next five years, African governments have pledged $20 million of co-funding for USADF programs, demonstrating their continued commitment to partnering with USADF and the U.S. Government in support of peace and prosperity.

USADF also extends the reach of U.S. tax dollars by leveraging funds from private sector partners such as General Electric and the Citi Foundation. In partnership with USADF, GE has donated nearly $1 million to expand energy connectivity to rural communities in nine countries in Africa. The Citi Foundation has a shared vision to support youth-led enterprise, and has partnered with USADF to provide over $1 million in seed capital to young entrepreneurs. These are just two examples of the innovative ways that USADF and its private sector partners maximize their social impact and extend the reach of U.S. foreign assistance funds.

USADF also contributes to critical U.S. development initiatives enacted by Congress such as the Global Food Security Act, the Electrify Africa Act and the Africa Growth and Opportunities Act (AGOA), including coordinating with other U.S. Government agencies, such as USAID, MCC and the Department of Commerce International Trade Administration. USADF's unique grassroots model ensures that U.S. foreign assistance extends to rural, vulnerable populations living beyond Africa's growth frontier.

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.

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.

To be consistent and in compliance with the Foreign Aid Transparency and Accountability Act as outlined by OMB memo M-18-04, USADF is engaged in a process of updating its current policies and procedures to comply with FATAA and OMB guidelines of covered foreign assistance with phase 1 documents by January 11, 2019.

The scope of these policies updates will clarify how monitoring and evaluation requirements apply to "programs" "projects" and "activities" funded by USG provided funded assistance. As USADF updates its policies and procedures for monitoring and evaluation practices it will use the thirteen guidelines specified in the FATAA as primary objectives in completing the policy and procedures documentation.

Progress USADF has made in policy and procedure development and revisions is noted below.

In FY 2018 USADF conducted a monitoring and evaluation workshop for its implementing technical partners in Ghana as Monitoring and Evaluation baseline activity. As a follow up to the Ghana workshop, USADF engaged a best in class Africa M&E consulting firm to conduct training and deployment to 20 program countries in the use of two new impact indicators critical to USADF's enterprise-oriented growth strategy. The two new tools will track household level impact and organizational improvement:

- PPI®-The Poverty Probability Index is a poverty measurement tool for organizations and businesses with a mission to serve the poor; and
- The Organizational Capacity Assessment Tool (OCAT)developed by McKinsey helps organizations assess their strengths and areas for improvement and measures the impact of organizational capacity building activities to improve organizational performance and activity outcomes.

Evaluate, at least once in their lifetime, all programs whose dollar value equals or exceeds the median program size for the relevant office or bureau or an equivalent calculation - USADF will incorporate these requirements into its FY 2019 operating plans.

Conduct impact evaluations on all pilot programs before replicating or conduct performance evaluations and provide a justification for not conducting an impact evaluation - USADF will incorporate these requirements into its FY 2019 operating plans.

Develop a clearinghouse capacity for the collection, dissemination, and preservation of knowledge and lessons learned - USADF will incorporate these requirements into its FY 2019 operating plans.

Ensure verifiable, reliable, and timely data are available to monitoring and evaluation personnel - USADF has specific plans to extend its current Grant Management System in FY 2019 to incorporate current and updated M&E tracking indicators, reporting, and analysis tools to support the M & E processes and procedures.

Ensure that standards of professional evaluation organizations for monitoring and evaluation efforts are employed - In FY 2018 USADF has engaged an African based best in class M&E consulting partner to assist in the development of and implementation of a robust, rigorous, and right sized M&E policy, procedure and practice to help ensure that USADF program practices achieve the highest possible impact and benefit to the people in the receiving host countries and accomplish the high level foreign assistance objectives of the USG .

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.

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 invested over $60 million in approximately 500 enterprises, which generated 450,000 Livelihoods/Jobs impacting 2 million people and generating $100 million in new local economic activity. 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.***

SECTION II

November 14, 2018

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 identifies 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, 2018 are operating effectively; no material weaknesses have been found in the design or operation of the internal controls over financial reporting.

C.D. Glin

C.D. Glin
President & CEO

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November 14, 2018

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

MESSAGE FROM THE CFO

I am pleased to present, as part of the Foundations's FY 2018 Annual Management Report, the FY 2018 Financial Statements for the United States African Development Foundation (USADF). USADF once again received an unmodified (clean) opinion on the FY 2018/2017 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, 2018 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

U.S. AFRICAN DEVELOPMENT FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2018 AND 2017

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 14, 2018

INDEPENDENT AUDITOR'S REPORT

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

In our audits of the fiscal years 2018 and 2017 financial statements of the U.S. African Development Foundation (USADF), we found

- USADF's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2018 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of Government Corporation Control Act (GCCA) (Pub. L. No. 79-248, codified at 31 U.S.C. chapter 91), we have audited USADF's financial statements. USADF's financial statements comprise the statement of financial position as of September 30, 2018, and 2017; the related statements of operations and changes in net position, and statement of cash flows for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility

USADF's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements; and (3) maintaining effective internal control over financial reporting, including 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.

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Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, USADF's financial statements present fairly, in all material respects, USADF's financial position as of September 30, 2018, and 2017, and the related statements of operations and changes in net position, and statement of cash flows for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

USADF's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on USADF's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of USADF's financial statements, we considered USADF's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to USADF's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

USADF's management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of USADF's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the USADF's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control over financial reporting. Accordingly, we do not express an opinion on USADF's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of USADF's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of USADF's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the USADF's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of USADF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

USADF's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to USADF.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to USADF that have a direct effect on the determination of material amounts and disclosures in USADF's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to USADF.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to USADF. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Largo, Maryland
November 14, 2018

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018 AND 2017
(In Dollars)

	2018	2017
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 31,516,456	$ 34,993,149
Total Intragovernmental	31,516,456	34,993,149
Cash, and Other Monetary Assets (Note 3)	3,608,494	3,904,147
Accounts Receivable, Net (Note 4)	250	-
Property, Equipment, and Software, Net (Note 5)	536,356	559,884
Other (Note 6)	1,349,168	1,073,406
Total Assets	$ 37,010,724	$ 40,530,586
Liabilities:		
Intragovernmental		
Other (Note 8)	$ 40,059	$ 41,577
Total Intragovernmental	40,059	41,577
Accounts Payable	38,379	47,090
Other (Note 8)	630,827	844,035
Total Liabilities (Note 7)	$ 709,265	$ 932,702
Net Position:		
Unexpended Appropriations	$ 31,823,049	$ 34,490,307
Cumulative Results of Operations	4,478,410	5,107,577
Total Net Position	$ 36,301,459	$ 39,597,884
Total Liabilities and Net Position	$ 37,010,724	$ 40,530,586

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, 2018 AND 2017
(In Dollars)

		2018		2017
Revenue:				
Appropriations Used	$	30,731,327	$	31,146,851
Imputed Financing (Note 11)		294,596		191,145
Donations		1,287,467		2,230,287
Total Revenue	$	32,313,390	$	33,568,283
Expenses:				
Grant Program	$	32,942,557	$	33,385,423
Total Expenses	$	32,942,557	$	33,385,423
Net Revenue (Loss)	$	(629,167)	$	182,860
Net Position:				
Net of Revenue (Loss)	$	(629,167)	$	182,860
Increase/(Decrease) in Unexpended Appropriations, Net		(2,667,258)		(3,716,245)
Increase/(Decrease) in Net Position, Net		(3,296,425)		(3,533,385)
Net Position, Beginning Balance		39,597,884		43,131,269
Net Position, Ending Balance	$	36,301,459	$	39,597,884

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Dollars)

		2018		2017
Cash Flows From Operating Activities:				
Net Revenue (Loss)	$	(629,167)	$	182,860
Adjustments Affecting Cash Flow:				
Decrease/(Increase) in Cash and Other Monetary Assets		295,653		(453,335)
Decrease/(Increase) in Property, Equipment, and Software		23,528		386,251
Decrease/(Increase) in Other Assets		(275,762)		32,268
Decrease/(Increase) in Accounts Receivable		(250)		349
Increase/(Decrease) in Accounts Payable and Other Liabilities		(223,437)		(17,158)
Total Adjustments		(180,268)		(51,625)
Net Cash Provided/(Used) by Operating Activities	$	(809,435)	$	131,235
Cash Flows From Financing Activities:				
Appropriations Received, Net	$	(731,327)	$	(1,146,851)
Rescissions and Cancellations		(1,935,931)		(2,569,394)
Net Cash Provided by Financing Activities	$	(2,667,258)	$	(3,716,245)
Net Increase/(Decrease) in Fund Balance with Treasury	$	(3,476,693)	$	(3,585,010)
Fund Balance with Treasury, Beginning		34,993,149		38,578,159
Fund Balance with Treasury, Ending	$	31,516,456	$	34,993,149

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. See Note 3 for a list of banks where the funds are maintained and where grant funds are processed.

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:

Description	Useful Life (years)
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 (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the USADF with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The USADF recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the USADF through the recognition of an imputed financing source.

O. Use of Estimates

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

P. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal

Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The USADF recognized imputed costs and financing sources in fiscal years 2018 and 2017 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2017 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, 2018 and 2017 were as follows:

	2018	2017
Fund Balances:		
Trust Funds	$ 485,383	$ 905,782
Appropriated Funds	31,031,073	34,087,367
Total Fund Balance with Treasury	31,516,456	34,993,149
Funds Held Outside of Treasury	3,608,494	3,904,147
Total	$ 35,124,950	$ 38,897,296

	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 1,550,201	$ 2,523,732
Unavailable	3,058,992	2,605,623
Obligated Balance Not Yet Disbursed	30,515,757	33,767,941
Total	$ 35,124,950	$ 38,897,296

No discrepancies exist between the Fund Balance reflected on the Statement of Financial Position and the balances in the Treasury accounts.

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, 2018 and 2017, totaled $3,608,494 and $3,904,147, respectively. The comparative balances are summarized below:

	2018	2017
EcoBank Benin	$ 900,138	$ 962,324
Bank Gaborone of Botswana	-	115,046
Cape Verde	-	20,717
Standard Chartered Ghana	-	1,187
EcoBank Guinea	19,164	24,434
EcoBank Kenya	186,827	-
EcoBank Malawi	346,300	173,245
EcoBank Mali	322,618	329,535
EcoBank Nigeria	68,650	72,880
Zenith Bank Nigeria	41,984	41,984
I&M Bank Limited Rwanda	464	533
EcoBank Senegal	39,135	76,531
First National Bank Swaziland	-	12,236
Stanbic Bank of Uganda	1,683,214	2,073,495
Total Funds Held Outside Treasury	$ 3,608,494	$ 3,904,147

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2018 and 2017, were as follows:

	2018	2017
With the Public		
Accounts Receivable	$ 250	$ -
Total Accounts Receivable	$ 250	$ -

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2018:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Property & Equipment	$ 1,076,442	$ 872,786	$ 203,656
Software	819,784	601,175	218,609
Software-in-Development	114,091	-	114,091
Total	$ 2,010,317	$ 1,473,961	$ 536,356

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

NOTE 6. OTHER ASSETS

Other assets account balances as of September 30, 2018 and 2017 were as follows:

	2018	2017
With the Public		
Grant Advances	$ 1,238,849	$ 938,438
Country Program Coordinator Advances	101,280	114,152
Travel Advances	9,039	20,816
Total Other Assets	$ 1,349,168	$ 1,073,406

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2018 and 2017 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.

		2018		2017
Intragovernmental – Unemployment Insurance	$	4,180	$	-
Unfunded Leave		334,922		328,704
Total Liabilities Not Covered by Budgetary Resources	$	339,102	$	328,704
Total Liabilities Covered by Budgetary Resources		370,163		603,998
Total Liabilities	$	709,265	$	932,702

The Unemployment Insurance liability represents the unfunded liability for unemployment benefits 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, 2018 were as follows:

		Current		Non Current		Total
Intragovernmental						
Unemployment Insurance Liability	$	4,180	$	-	$	4,180
Payroll Taxes Payable		35,879		-		35,879
Total Intragovernmental Other Liabilities	$	40,059	$	-	$	40,059
With the Public						
Payroll Taxes Payable	$	6,083	$	-	$	6,083
Accrued Funded Payroll and Leave		241,247		-		241,247
Unfunded Leave		334,922		-		334,922
Other Liabilities		48,575		-		48,575
Total Public Other Liabilities	$	630,827	$	-	$	630,827

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

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 expired 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
2019	$ 828,804
2020	853,853
2021	881,261
2022	903,293
2023	925,875
Thereafter	4,545,595
Total Future Payments	$ 8,938,681

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, 2018. 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. 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 years ended September 30, 2018 and 2017, respectively, imputed financing was as follows:

	2018	2017
Office of Personnel Management	$ 294,596	$ 191,145
Total Imputed Financing Sources	$ 294,596	$ 191,145

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

The President's Budget that will include fiscal year 2018 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2019 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2019 Budget of the United States Government, with the "Actual" column completed for 2017, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

FY2017	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$39,000,000	$34,000,000	$2,000,000	$31,000,000
Spending Authority from Offsetting Collections	(1,000,000)			
Unobligated Balance Not Available	(3,000,000)			
Difference - Due to Rounding	1,000,000	(1,000,000)	-	-
Budget of the U.S. Government	$36,000,000	$33,000,000	$ 2,000,000	$31,000,000

NOTE 13. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2018 and 2017 consisted of the following:

	2018	2017
Direct Obligations, Category A	$ 6,105,234	$ 8,443,418
Direct Obligations, Category B	24,432,531	22,463,983
Direct Obligations, Category E	2,732,094	2,824,329
Total Obligations Incurred	$ 33,269,859	$ 33,731,730

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 funds are exempt from apportionment.

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2018, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ -	$ 1,349,168	$ 1,349,168
Unpaid Undelivered Orders	351,268	29,794,324	30,145,592
Total Undelivered Orders	$ 351,268	$ 31,143,492	$ 31,494,760

As of September 30, 2017, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	$ -	$ 1,073,406	$ 1,073,406
Unpaid Undelivered Orders	75,674	33,088,269	33,163,943
Total Undelivered Orders	$ 75,674	$ 34,161,675	$ 34,237,349

NOTE 15. CUSTODIAL ACTIVITY

The USADF is an administrative agency collecting for the General Fund. As a collecting entity, USADF measures and reports cash collections and refunds. For the years ended September 30, 2018 and 2017, collections totaled $0 and $3,084.

NOTE 16. 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.

	2018	2017
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 33,269,859	$ 33,731,730
Spending Authority From Offsetting Collections and Recoveries	(3,403,161)	(4,438,158)
Obligations Net of Offsetting Collections and Recoveries	29,866,698	29,293,572
Offsetting Receipts	(1,282,467)	(1,580,287)
Net Obligations	28,584,231	27,713,285
Other Resources		
Imputed Financing From Costs Absorbed By Others	294,596	191,145
Net Other Resources Used to Finance Activities	294,596	191,145
Total Resources Used to Finance Activities	28,878,827	27,904,430
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	2,742,589	2,903,899
Resources That Fund Expenses Recognized In Prior Periods	-	(39,445)
Budgetary Offsetting Collections and Receipts That Do		
Not Affect Net Cost of Operations		
Other	1,287,467	2,230,287
Resources That Finance the Acquisition of Assets	(250,320)	10,500
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	3,779,736	5,115,410
Total Resources Used to Finance the Net Cost of Operations	32,658,563	33,019,840
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	6,217	-
Increase In Exchange Revenue Receivable From the Public	(250)	-
Other	4,180	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In Future Periods	10,147	-
Components Not Requiring or Generating Resources		
Depreciation and Amortization	273,847	287,607
Revaluation of Assets or Liabilities	-	77,976
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	273,847	365,583
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	283,994	365,583
Net Cost of Operations	$ 32,942,557	$ 33,385,423