OFFICE OF INSPECTOR GENERAL

AUDIT OF USAID'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2013 AND 2012

AUDIT REPORT NO. 0-000-14-001-C
DECEMBER 16, 2013

WASHINGTON, D.C.

Office of Inspector General

December 16, 2013

MEMORANDUM

TO: Kent Kuyumjian, Acting Chief Financial Officer

FROM: Melinda Dempsey, Acting AIG/A

SUBJECT: Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012

The Office of Inspector General (OIG) is transmitting its report on the *Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012*. Pursuant to the Government Management Reform Act of 1994, Public Law 103–356, USAID is required to prepare consolidated financial statements for the fiscal year. Office of Management and Budget (OMB) Circular A–136, "Financial Reporting Requirements," requires USAID to submit a Performance and Accountability Report, including audited financial statements, to OMB, the Department of the Treasury, and the Government Accountability Office by December 16, 2013. In accordance with the requirements of OMB Circular A–136, USAID has elected to prepare an alternative Agency Financial Report with an Agency Head Message, Management's Discussion and Analysis, and a Financial Section.

OIG has rendered an unmodified opinion on USAID's principal financial statements for fiscal years 2013 and 2012. With respect to internal control, we identified one deficiency that we consider a material weakness. The material weakness pertains to USAID's process for reconciling its fund balance with the U.S. Treasury. Additionally, we identified four significant deficiencies in internal control. They pertain to USAID's processes for (1) deobligating unliquidated obligations, (2) accounting for advances, (3) supporting payroll deductions, and (4) reconciling intragovernmental transactions.

We found no instances of substantial noncompliance with federal financial management systems requirements, federal accounting standards or the U.S. Standard General Ledger at the transaction level as a result of our tests required under Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, Title VIII (31 USC 3512 note). However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act report, No. A-000-14-001-P dated October 15, 2013, which we classified as an instance of substantial noncompliance with FFMIA as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

This report contains four recommendations to improve USAID's internal control over financial reporting.

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We have considered your response to the draft report and the recommendations included therein. We acknowledge your management decisions on the recommendations. Please forward all information to your Office of Audit Performance and Compliance for final action. (Appendix II contains USAID's management comments.*)*

We appreciate the cooperation and courtesies extended to us during the audit and look forward to working with you on next year's audit.

CONTENTS

Abbreviations

The following abbreviations appear in this report:

FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act of 1982
FY	fiscal year
GMRA	Government Management Reform Act
OIG	Office of Inspector General
OMB	Office of Management and Budget
USSGL	U.S. Government Standard General Ledger

SUMMARY OF RESULTS

USAID's consolidated balance sheets, consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources present fairly, in all material respects, the financial position of USAID as of September 30, 2013 and 2012, and its net cost, net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

This audit identified one deficiency in internal control that we considered a material weakness, related to USAID's processes for reconciling its fund balance with the U.S. Treasury. The audit also identified four significant deficiencies in internal control related to the following financial management processes:

- Deobligating unliquidated obligations
- Accounting for advances
- Supporting payroll deductions
- Reconciling intragovernmental transactions

This audit identified no instances of substantial noncompliance with federal financial management systems requirements, federal accounting standards, or the U.S. Standard General Ledger at the transaction level as a result of the tests required by Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), Public Law 104-208, Title VIII (31 USC 3512 note). However, we reported one significant deficiency in the Agency's annual Federal Information Security Management Act (FISMA) audit report, which we classified as an instance of substantial noncompliance with FFMIA as required by Office of Management and Budget (OMB) Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

BACKGROUND

USAID was created in 1961 to advance U.S. foreign policy interests by promoting broad-based sustainable development and providing humanitarian assistance. USAID has missions in more than 100 countries, 45 of which have full accounting operations with USAID controllers. For the fiscal year ended September 30, 2013, USAID reported total budgetary resources of approximately $24 billion.

Statements

Pursuant to the Government Management Reform Act of 1994, Public Law 103-356, USAID is required to submit audited financial statements to OMB annually. Accordingly, for fiscal year (FY) 2013, USAID has prepared the following:

- Consolidated Balance Sheet
- Consolidated Statement of Net Cost
- Consolidated Statement of Changes in Net Position
- Combined Statement of Budgetary Resources
- Notes to the Principal Financial Statements
- Required Supplementary Information
- Other Accompanying Information

Audit Objective

The Office of Inspector General (OIG) performed this audit to determine whether USAID's principal financial statements present fairly the assets, liabilities, net position, net costs, changes in net position, and budgetary resources for FYs 2013 and 2012.

In our opinion, the financial statements referred to above present fairly in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2013, and 2012, and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,*[1] OIG has also issued reports, dated December 16, 2013, on its consideration of USAID's internal control over financial reporting and on its tests of USAID's compliance with certain provisions of laws and regulations. These reports are an integral part of an overall audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with the independent auditor's report.

[1] GAO-12-331G (December 2011 Revision).

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2013 and 2012 and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 audits. We conducted the audits in accordance with auditing standards generally accepted in the United States of America; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements". Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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 consolidated 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 also includes 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of USAID as of September 30, 2013 and 2012 and its assets, liabilities, net position, net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

In our report dated November 16, 2012, we expressed an opinion that, except for the effects of unsupported adjustments, the 2012 financial statements presented fairly, in all material respects, USAID's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources, in accordance with accounting principles generally accepted in the United States of America. As described in Note 20 to the financial statements, USAID reversed the unsupported adjustments and restated its 2012 financial statements. Accordingly, our present opinion on the restated 2012 financial statements, as presented herein, is different from that expressed in our previous report.

Report on Other Legal and Regulatory Requirements

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A–136, "Financial Reporting Requirements." We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports, dated December 16, 2013, on our consideration of USAID's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report.

Restriction on the Use of the Audit Report

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
December 16, 2013

REPORT ON INTERNAL CONTROL

We have audited the accompanying financial statements of USAID, which comprise the consolidated balance sheets as of September 30, 2013 and 2012, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audits of USAID's financial statements for the fiscal years ended September 30, 2013 and 2012, we considered USAID's internal control over financial reporting by obtaining an understanding of USAID's system of internal control, determining whether internal controls had been placed in operation, assessing control risk, and testing controls to determine which auditing procedures to use for expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 14-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Public Law 97-225, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on internal control. Accordingly, we do not express an opinion on internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as discussed below, we identified one material weakness and four significant deficiencies in USAID's internal control.

A material weakness is a deficiency or a combination of deficiencies in internal control that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected in a timely manner. We identified one deficiency in internal control that we consider a material weakness, as defined above, relating to USAID's reconciliation of its Fund Balance With Treasury account.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet is important enough to merit attention by those charged with governance. We identified four significant deficiencies in internal control related to USAID's financial management processes to:

- Deobligate unliquidated obligations.
- Account for advances.
- Support payroll deductions.
- Reconcile intragovernmental transactions.

The Management's Discussion and Analysis and Required Supplementary Information sections are not required parts of the consolidated financial statements but represent supplementary information required by OMB Circular A–136, "Financial Reporting Requirements*."* We have applied certain limited procedures to this information, primarily consisting of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we do not express an opinion on it.

We also noted other matters involving internal control over financial reporting that we will report to USAID's management in a separate letter dated December 16, 2013.

Material Weakness

USAID Does Not Reconcile Its Fund Balance With Treasury Account With the U.S. Treasury and Resolve Reconciling Items in a Timely Manner (Repeat Finding)

USAID continues to have large unreconciled differences between the Fund Balance With Treasury (FBWT or cash) account recorded in the financial accounting system (Phoenix) and the fund balance reported by the Department of the Treasury (Treasury). As of September 30, 2013, these differences totaled approximately $121 million net ($1.9 billion, absolute value). This finding has been reported for several years. Table 1 illustrates the differences for the past five fiscal years.

Table 1. USAID's Fund Balance Differences ($ million)

Fiscal Year	Net Difference	Absolute Value
2009	45	711
2010	64	894
2011	96	2,100
2012	114	127
2013	121	1,915

These differences persist because USAID did not consistently perform monthly reconciliations of the FBWT account with Treasury's fund balance and promptly research and resolve those differences. Instead of investigating and resolving the differences, USAID arbitrarily adjusted its FBWT account to agree with Treasury's fund balance. In FY 2012 USAID stated that the cash balance in its budget module was accurate, adjusted its FBWT account in the general ledger to agree with the budget module, and moved funds from all affected appropriations to one appropriation at Treasury. In FY 2013 USAID determined that the method used to determine the amount of the adjustments was incorrect or unsupported and therefore reversed all the adjustments except those related to cancelled appropriations. This action increased the differences between USAID and Treasury, forcing USAID to adjust its FBWT account by $121 million as of September 30, 2013, to ensure that it agreed with the balance reported on Treasury's Form 2108, Year End Closing Statement. To expedite the reconciliation process and facilitate the research and resolution of differences, USAID has implemented eCART, a Web-based cash reconciliation system.[2] The Agency has begun a comprehensive reconciliation of its

[2] eCART performs a comprehensive reconciliation of the Agency's cash disbursement with Treasury's fund balance, tracking open reconciling items and providing an audit trail of corrective action taken.

FBWT and related accounts, such as advances, obligations, expenditures, and accounts payable. It estimated the reconciliations would be completed by the end of FY 2015.

Another problem the audit disclosed was that of 74 fund groups, 6 had abnormal cash balances with Treasury, totaling a combined ($77,757,529). These abnormal credit balances can be from erroneous disbursements, by USAID or by third-party payers such as the U.S. Department of Health and Human Services (DHHS), the National Finance Center (NFC), and the Department of State. To rectify the abnormal balances, USAID implemented a corrective action plan and, as of the date of this report, had corrected approximately $17 million.

Furthermore, USAID recorded transactions in the suspense accounts that it did not research and resolve within the 60-day period established by Treasury. As of September 30, 2013, there were 358 items with a net value of $3 thousand ($2.3 million absolute value) more than 60 days old. This amount represents a great improvement from FY 2012, when there were 717 items valued at $52.2 million ($59 million absolute value). USAID anticipates that by June 30, 2014, all suspense items older than 60 days will be resolved.

Fund Balance With Treasury Reconciliation Procedures, a Supplement to the *Treasury Financial Manual*, Volume I, Part 2-5100, Section V, stipulates that federal agencies must reconcile their accounts and any related subaccounts monthly, at a minimum, and "must resolve all differences between the balances reported on their general ledger FBWT accounts and balances reported on the GWA [Government-wide Accounting System] Account Statement." In addition, the supplement specifically states: "An agency may not arbitrarily adjust its FBWT account. Only after clearly establishing the causes of errors and properly documenting those errors should an agency adjust its FBWT account balance."

Treasury requires each agency to reconcile its FBWT account on a regular and recurring basis to ensure the accuracy and integrity of its financial data. Failure to implement effective reconciliation processes and perform timely reconciliations could increase the risks of fraud, waste, and mismanagement of funds; affect the Agency's ability to monitor the execution of its budget effectively; and hinder its ability to measure the full cost of its programs.

USAID is implementing a plan that will be executed and completed in two stages to reconcile all differences. The appropriations will be divided into two groups for which differences will be identified, investigated, and resolved, and adjustments recorded. The first group will be completed by March 31, 2014, and the other group by FY 2015. Therefore, we make the following recommendation.

> ***Recommendation 1.*** *We recommend that USAID intensify its effort to expedite the completion of the reconciliation and make results available for periodic review.*

Significant Deficiencies

USAID's Process for Deobligating Unliquidated Obligations Needs Improvement (Repeat Finding)

USAID established a team dedicated to reviewing and closing out procurement obligations without activity for more than 3 years. During FY 2013, the team identified approximately $70 million of outstanding obligations that were deobligated and made available in the Phoenix accounting system for reprogramming. However, large amounts of outstanding obligations remain that could potentially be deobligated. During our audit, we analyzed[3] USAID's unliquidated obligations (ULOs) and determined that, as of September 30, 2013, USAID had approximately $128 million[4] in unliquidated obligations with no disbursements for more than 3 years that might be available for deobligation. Of the $128 million, approximately $24 million was older than 10 years and approximately $55 million had no disbursements since they were established (Table 2).

Table 2. Analysis of ULOs by Fiscal Years

FY Established	Obligation Amounts With No Activity Since Establishment ($)	Unliquidated Amounts With No Activity for 3-Years ($)	Total Amount of Unliquidated Obligations ($)
2002 and Prior	3,264,184	20,910,354	24,174,538
2003	344,006	1,465,106	1,809,112
2004	1,068,900	3,615,365	4,684,265
2005	1,389,639	7,630,264	9,019,902
2006	2,092,498	8,282,373	10,374,871
2007	4,973,681	13,159,920	18,133,601
2008	5,732,855	10,808,715	16,541,569
2009	10,854,967	4,863,352	15,718,320
2010	25,505,092	1,667,354	27,172,446
Total	**55,225,822**	**72,402,803**	**127,628,625**

These deficiencies occurred because USAID does not have an effective process to identify and deobligate awards and contracts in a timely manner. Given the significant amount of low dollar and old obligations that make up this balance, performing manual deobligation actions within the accounting system becomes cumbersome and problematic.

USAID's Automated Directives System (ADS) Chapter 621, "Obligations," states that Obligation Managers must continuously monitor unexpended obligated balances and ask the obligating official to deobligate excess or unneeded funds.

As a result of the ineffective process, USAID has increased the risk of losing program and operating expense funds that may expire before they are deobligated. Because USAID has awarded contracts to independent public accounting firms to conduct contract closeout audits

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[3] The methodology used in FY 2013 was expanded to include missions, grants, and subobligations, resulting in an increase in unliquidated obligations.
[4] Over the past 5 years, obligations incurred averaged approximately $13 billion annually.

on procurement awards, has initiated targeted reviews of awards, and has established a management bureau task force to address Agency-wide ULO balances, we are not making a recommendation on these matters. However, because USAID has approximately $128 million in ULOs with no disbursement activity for more than 3 years, we make the following recommendation.

> ***Recommendation 2.*** *We recommend that USAID intensify its efforts to investigate and deobligate outstanding obligations, especially those that make up the $55 million that had no activity since they were established.*

USAID's Process for Accounting for Advances Needs Improvement (Repeat Finding)

USAID's process for accounting for advances continues to be problematic. Specifically, USAID:

- Continues to have outstanding advances for more than 90 days that should be researched to determine if the outstanding balances should be recovered or corrected.
- Has not reconciled the advances control account in the general ledger to the subsidiary ledger.
- Has not investigated certain letter-of-credit advances and made corrections to ensure that USAID's financial records are consistent with the financial records of Treasury.
- Has not investigated negative advances to determine if they represent amounts owed to the Agency and should be recovered.

As of September 30, 2013, USAID had approximately $41 million in advances that were outstanding for more than 90 days as illustrated in Table 3.

Table 3. Advances Outstanding for More Than 90 Days

Office	Category	Number Outstanding	Amount ($ thousand)
USAID/W	Intragovernmental	41	17,346
	Grantees	140	606
	Public International Organizations	284	5,183
USAID/Missions	Intragovernmental	17	3,150
	Grantees	78	869
	Public International Organizations	957	13,787
	Total	**1,517**	**40,941**

These advances were outstanding because USAID and its missions permitted grantees a 3-month rolling advance, meaning they could take an additional 30 days to report expenses incurred in the prior quarter. USAID then took another 30 days to review and liquidate the advances. As a result, USAID advances were outstanding for 150 days or more before they were even considered for liquidation. Failure to liquidate advances in a timely manner provides no assurance to USAID that the funds advanced are being used for the intended programs. USAID issued ADS 636, "Program Funded Advances," which addresses accounting and reporting for advances, but did not require the missions to establish outstanding advances as accounts receivable within a reasonable period.

USAID's Chief Financial Officer is working to reduce the $17.8 million in outstanding advances at its missions and has taken a number of corrective actions, such as upgrading the Phoenix advance aging reports and issuing new guidance to its missions on advances. USAID/Washington is responsible for the remaining $23 million in outstanding advances, of which $5.2 million is attributable to advances made to public international organizations and grantees, which consistently delay the liquidation of advances made to them. USAID's ADS 636 states that missions and Washington offices are required to ensure periodic review of outstanding advances so that they do not exceed immediate cash needs.

Our audit also revealed that USAID did not fully reconcile the general ledger advance account to the subsidiary ledger. This occurred because USAID chose to reconcile advances, not in isolation, but as part of a comprehensive process that reconciles all general ledger accounts affected by the FBWT reconciliation to the respective balances in the subsidiary ledgers. In FY 2012 USAID completed a reconciliation using the budget module as a basis and adjusted various accounts that appear in the financial statements, including advances. However, USAID did not verify or validate these adjustments before FY 2012 year-end reporting. In FY 2013 USAID determined that the methodology used to determine the amount of the adjustment for advances was incorrect and reversed the adjustments. During FY 2013, USAID compared the advance account in the general ledger and the subsidiary ledger and identified certain transactions that should be reviewed to determine their validity. The comparison showed a net difference of approximately $27.8 million with an absolute value of $160 million that should be researched and resolved to determine whether the advances account is misstated.

The audit further revealed that USAID has not completed the investigation and resolution of differences in appropriation balances between Treasury and USAID. These differences arose because Treasury and USAID did not charge the same appropriation for disbursements made by the DHHS Payment Management System (PMS) on behalf of USAID to grantees and contractors, and reported by DHHS to USAID and Treasury. USAID compared the transactions reported by Treasury and the transactions recorded in Phoenix and identified differences totaling approximately $8 million that were unresolved for more than 90 days as of August 31, 2013. We also identified negative unliquidated advances of approximately $5.3 million in the synchronization report of PMS that USAID did not investigate to determine whether this amount is owed to the Agency and should be recovered. As a result, advances may be misstated by approximately $5.3 million. USAID has implemented new procedures to prevent this problem from recurring, but the transactions causing these differences are from prior years.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1) states:

> Control activities occur at all levels and functions of the entity. They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, … and maintenance of related records which provide evidence of execution of these activities as well as the appropriate documentation.

USAID has implemented a process to reconcile the differences between the general ledger and the subsidiary ledger and will start recording adjustments in FY 2014, but will not be able to complete the reconciliation until FY 2015. Although we will monitor USAID's progress in reconciling and resolving these differences in FY 2014, we make the following recommendation.

> ***Recommendation 3.*** *We recommend that the Office of the Chief Financial Officer (a) research all advances outstanding for more than 90 days to determine if they should be recovered, (b) implement policies and procedures for establishing accounts receivable to recover outstanding advances within a reasonable period, and (c) review and correct as necessary appropriations erroneously charged by the DHHS and recorded by the Department of the Treasury.*

USAID Could Not Provide Documentation to Support Payroll Deductions

USAID could not provide documentation for the deductions noted on employees' statements of earnings and leave. During our audit, USAID was able to provide 68 of 83 records requested to validate whether employees had authorized certain benefit deductions from their salaries. Our examination of those records indicated that $691 deducted from employees' salaries was not supportable. Because 15 of the records requested were missing, we were not able to apply the planned audit procedures or alternative procedures. Therefore, we treated the items not provided as misstatements totaling $983 as shown in Table 4.

Table 4. Payroll Deduction Calculations

Deduction Type	Missing Documents	Amount ($)	Incorrect Calculations	Amount ($)
Federal Employees Health Benefits Act (FEHB)	10	850	8	298
Federal Employees Group Life Insurance Act (FEGLI)	4	54	7	320
FEHB + FEGLI	1	79	1	73
Total	**15**	**983**	**16**	**691**

Problems with the reporting process occurred because employee benefit records may be entered electronically, either in the electronic official personnel folder or in the National Finance Center's system, depending on how employees were hired and whether eligible employees used the Employee Personnel Page to elect or change their benefits during open season. The lack of work flow analysis and business processes makes it difficult to locate missing documentation.

GAO's *Standards for Internal Control in the Federal Government* states:

> Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results. . . . They include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, performance reviews, maintenance of security, and the creation and maintenance of related records which provide evidence of execution of the activities as well as the appropriate documentation. . . . Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations. It is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations,

and other actions people take in performing their duties.

Effective management oversight greatly increases USAID's ability to identify and resolve issues before they cause misstatements in financial accounting and reporting. By not performing monitoring, analysis, oversight, and reconciliations, USAID may not detect discrepancies that could cause financial information to be misstated. Therefore, we make the following recommendation.

> ***Recommendation 4.*** *We recommend that USAID's Office of Human Resources implement applicable work flow or business processes that clearly delineate roles and responsibilities within the Office of Human Resources for processing different types of actions, whether they were first entered manually or electronically, to make sure that records that support deductions from employees' salaries are easily retrievable.*

Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

USAID continues to have a large number of unreconciled intragovernmental transactions. As of September 30, 2013, Treasury reported a net difference of $2.9 billion in intragovernmental transactions between USAID and other federal agencies. Treasury reports these differences quarterly in the Reciprocal Category Detail Report. They represent differences identified by Treasury between USAID's records and those of its federal trading partners. Of the $2.9 billion, USAID was required to reconcile and confirm $295 million in accordance with OMB Circular A-136, "Financial Reporting Requirements," and Treasury's *Federal Intra-governmental Transactions Accounting Policies Guide*, Section 17.1. Although USAID has increased its efforts to resolve unreconciled amounts, significant differences still exist. These differences occurred because USAID's trading partners recorded the transactions in different accounting periods or used different methodologies to classify and report the transactions.

USAID continually researches intragovernmental activity to improve its reconciliation process and eliminate the differences. Although some timing differences are likely to be resolved through current efforts, differences caused by accounting errors or different accounting methodologies require a special effort by USAID and its trading partners for timely resolution. The *Federal Intragovernmental Transactions Accounting Policies Guide* suggests that agencies work together to estimate accruals and record corresponding entries to ensure that they agree and that long-term accounting policy differences can be eliminated.

Of the total difference of $2.9 billion between USAID and its trading partners, Treasury does not require USAID to reconcile $2.6 billion reported for trading partner 99 but suggests that federal agencies confirm that these differences represent general fund activities. USAID is making an effort to confirm the general fund activity and plans to continue collaborating with Treasury to research and reconcile these differences. Treasury plans to update the guidance on capital transfers in fiscal year 2014 to include steps to resolve differences with trading partner 99, which reports transactions with Treasury's general fund.

We reported a similar finding in previous audits[5] and recognize that resolution requires continuing coordination with other federal agencies. Therefore, we are not making a new recommendation, but we will continue to monitor USAID's progress in reducing intragovernmental differences.

USAID management's written response to the material weakness and significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we express no opinion on it.

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
December 16, 2013

[5] "Audit of USAID's Financial Statements for Fiscal Years 2012 and 2011," November 16, 2012, page 17.

REPORT ON COMPLIANCE WITH APPLICABLE PROVISIONS OF LAWS, REGULATIONS, CONTRACT, AND GRANT AGREEMENTS

We have audited the consolidated balance sheets of USAID as of September 30, 2013 and 2012. We have also audited the consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years ended September 30, 2013 and 2012, and have issued our reports thereon. We conducted the audits in accordance with auditing standards generally accepted in the United States; generally accepted government auditing standards issued by the Comptroller General of the United States; and OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements."

The management of USAID is responsible for complying with laws and regulations applicable to USAID. As part of obtaining reasonable assurance about whether USAID's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and with certain other laws and regulations specified in OMB Bulletin 14-02, including the requirements referred to in the Federal Financial Management Improvement Act of 1996 (FFMIA). We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to USAID.

Our tests did not disclose instances of noncompliance considered reportable under *Government Auditing Standards*. Our objective was not to provide an opinion on overall compliance with laws and regulations, and accordingly, we do not express such an opinion.

OMB Circular A–123

OMB Circular A–123, "Management's Responsibility for Internal Control," implements the requirements of the FMFIA. Appendix A of OMB Circular A–123 contains a process that management should implement to assess and improve internal controls over financial reporting. The assessment process should provide management with the information needed to support a separate assertion on the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

In FY 2013, USAID monitored key business processes and followed up on recommendations made in prior years. In its Management Assurance Statement, USAID identified one instance of nonconformance related to a lack of an effective risk management program, and reported two material weaknesses related to:

- Fund Balance With Treasury
- Implementation of information security policies and procedures

Federal Financial Management Improvement Act of 1996

Under FFMIA, we are required to report on whether USAID's financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with each of the three FFMIA Section 803(a) requirements.

We reported one significant deficiency in USAID's annual FISMA audit report dated October 15, 2013 and, as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements," we reported this deficiency as an instance of substantial noncompliance with FFMIA. Specifically, we reported that USAID has not established an effective risk management program to ensure that policies and procedures are assessed and working as intended and that USAID's decentralized management of information technology and information security does not allow the Agency to implement a process to effectively assess, respond to, and monitor information security risk across the organization. The Office of the Chief Information Officer is responsible for the financial management system that was found not to comply with the requirements of the subsection. In response to the significant deficiency, USAID implemented a three-phase action plan to improve its information security and expects to complete remediation of this deficiency by June, 2015.

In our report on internal control, we identified the following areas for improvement in several financial system processes, not affecting substantial compliance:

- Reconciling Fund Balance With the U.S. Treasury
- Accounting for Unliquidated Obligations
- Accounting for Advances
- Supporting Payroll Deductions
- Reconciling Intragovernmental Transactions

This report is intended solely for the information and use of those charged with governance at USAID (the USAID Administrator, Deputy Administrator, Assistant Administrator for Management, and Chief Financial Officer) and others within USAID, as well as for OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

USAID Office of Inspector General
December 16, 2013

EVALUATION OF MANAGEMENT COMMENTS

We have received USAID's management comments on the findings and recommendations included in our draft report. The following is a summary of USAID's management comments and our evaluation of them.

USAID's management accepted Recommendation 1 and commented that the office of the CFO will intensify its efforts to complete this reconciliation. Management further commented that during FY 2013, the office of the CFO developed a comprehensive methodology to identify the necessary adjustments to reconcile its fund balance with Treasury and will employ this methodology to complete this reconciliation. The target completion date is December 31, 2014. We acknowledge USAID's management decision on this recommendation and will review the Agency's progress on implementing it during our FY 2014 Government Management Reform Act (GMRA) audit.

USAID's management accepted Recommendation 2 and agreed that the process to identify and deobligate unneeded balances should be intensified. Management further agreed to continue its efforts to address the backlog of contracts to be closed out in FY 2014. The target completion date is September 30, 2014. We acknowledge USAID's management decision on this recommendation and will review the Agency's progress on implementing it during our FY 2014 GMRA audit.

USAID's management accepted Recommendation 3 and stated that the Office of the CFO will continue to research and resolve issues related to advances. Management further commented that USAID has drafted and will incorporate updates into the appropriate section of the Agency's Automated Directives System to reflect policies and procedures for establishing accounts receivables for unliquidated advances within a reasonable period. In addition, the Office of the CFO has developed procedures to ensure timely redirection of DHHS transactions to the proper appropriation in the financial system. The target completion date is June 30, 2014. We acknowledge USAID's management decision on this recommendation and will review the Agency's progress on implementing it during our FY 2014 GMRA audit.

USAID's management accepted Recommendation 4 and stated that the Office of the CFO would coordinate with the Office of Human Resources to 1) document and review business processes for various OHR actions impacting payroll deductions including hiring, transfers, open seasons, and qualifying life events; 2) based on the business process review, create and/or update standard operating procedures that identify accountable staff responsible for scanning and indexing new personnel documents in the EOPF, identify required documentation and records that support deductions from employees' salaries, and include timelines within which new actions are entered into the EOPF. The target completion date is June 30, 2014. We acknowledge USAID's management decision on this recommendation and will review the Agency's action on it during our FY 2014 GMRA audit.

Although we did not include a recommendation for the finding on reconciling intragovernmental transactions, USAID management commented that they will continue to coordinate with other federal agencies to resolve differences in a timely manner. The target completion date is September 30, 2015. We acknowledge USAID's management decision and will review progress on its implementation during our FY 2014 GMRA audit.

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SCOPE AND METHODOLOGY

USAID management is responsible for (1) preparing the financial statements in accordance with generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; (3) ensuring that USAID's financial management systems substantially comply with the requirements of FFMIA; and (4) complying with other applicable laws and regulations.

OIG is responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. OIG is also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether USAID's financial management systems substantially comply with FFMIA requirements, (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (4) performing limited procedures with respect to certain other information appearing in the Agency Financial Report.

To fulfill these responsibilities, OIG:

- Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements.
- Assessed the accounting principles used and significant estimates made by management.
- Evaluated the overall presentation of the financial statements.
- Obtained an understanding of internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations (including execution of transactions in accordance with budget authority).
- Tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal controls.
- Considered the process for evaluating and reporting on internal control and financial management systems under FMFIA.
- Tested USAID's compliance with FFMIA requirements.

We also tested USAID's compliance with selected provisions of the following laws and regulations:

- Antideficiency Act, July 12, 1870; codified at 31 U.S.C. 1341, 1342, 1349 to 1351, and 1511 to 1519
- Improper Payments Information Act of 2002, Public Law 107-300

- Prompt Payment Act, Public Law 97-177
- Debt Collection Improvement Act of 1996, Public Law 104-134
- Federal Credit Reform Act of 1990, Public Law 93-344
- OMB Circular A–136
- OMB Circular A–123

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error, fraud, losses, or noncompliance may occur and may not be detected. We also caution that projecting our evaluation to future periods is subject to the 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 USAID. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2013 and 2012. We caution that noncompliance may occur and may not be detected by these tests, and that such testing may not be sufficient for other purposes.

In forming our opinion, we considered potential aggregate errors exceeding $207 million for any individual statement to be material to the presentation of the overall financial statements.

Federal Financial Management Improvement Act of 1996 (FFMIA)

We assessed whether USAID was substantially compliant with Section 803(a) of the FFMIA, which requires agencies to implement and maintain financial management systems that substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the USSGL at the transaction level. To perform our review, we evaluated USAID's financial transactions recorded in Phoenix to determine whether they were compatible with federal accounting standards and the USSGL at the transaction level, and we did not observe any exceptions. However, in another engagement, we reported one significant deficiency in the Agency's annual FISMA audit report and, as required by OMB Bulletin 14-02, "Audit Requirements for Federal Financial Statements," we reported this deficiency as an instance of substantial noncompliance with FFMIA because it pertained to the financial management systems.

MANAGEMENT COMMENTS

December 16, 2013

MEMORANDUM

TO: Acting AIG/A, Melinda Dempsey

FROM: Acting M/CFO Chief Financial Officer, Kent A. Kuyumjian /s/

SUBJECT: Management Response to Draft Independent Auditor's Report on USAID's Financial Statements for Fiscal Years 2013 and 2012 (Report No. 0-000-14-001-C)

Thank you for your draft report on the *Audit of USAID's Financial Statements for Fiscal Years 2013 and 2012* and for the professionalism exhibited by your staff throughout this process.

Fiscal Year (FY) 2013 was a significant year for federal financial management at USAID. We are gratified that the USAID Inspector General will issue unmodified opinions on all four principal financial statements. The acknowledgments of the Agency's improvements in financial systems and processes throughout the report are appreciated.

Our comments and management decisions regarding the findings and proposed audit recommendations follow:

Material Weakness: USAID Does Not Reconcile Its Fund Balance With Treasury Account With the U.S. Treasury and Resolve Reconciling Items in a Timely Manner (Repeat Finding)

Recommendation No 1: We recommend that USAID intensifies its efforts and expedite the completion of the reconciliation and make results available for periodic review.

Management Decision: USAID accepts the finding and recommendation and will intensify its efforts to complete this reconciliation.

During FY 2013, The Bureau for Management, Office of the Chief Financial Officer (M/CFO) developed a comprehensive methodology to identify the necessary adjustments needed to reconcile its fund balance with Treasury. M/CFO will employ this methodology to determine the appropriate adjustment amounts to complete this reconciliation. One set of adjustments will be made in early FY 2014 with the remainder completed by the first quarter of FY 2015.

Target completion date: December 31, 2014

Significant Deficiency: USAID Process for Deobligating Unliquidated Obligations Needs Improvement (Repeat Finding)

Recommendation: No. 2: We recommend that USAID intensify its efforts to investigate and deobligate outstanding obligations especially those that comprise the $55 million that had no activity since they were established.

Management Decision: USAID accepts the finding and recommendation.

USAID agrees that the process to identify and deobligate unneeded balances should be intensified. As acknowledged by the OIG, USAID made significant progress to address the backlog of contracting actions by establishing a team to facilitate this process resulting in deobligations of about $70 million in FY 2013. The Agency will continue these efforts in FY 2014. We will refine and implement an agency-wide web-based batch deobligation tool.

Target Completion Date: September 30, 2014.

Significant Deficiency: USAID's Process for Accounting for Advances Needs Improvement (Repeat Finding)

Recommendation No. 3: We recommend that the Office of the Chief Financial Officer (a) research all advances outstanding for more than 90 days to determine if they should be recovered, (b) implement policies and procedures for establishing accounts receivable to recover outstanding advances within a reasonable time frame, and (c) review and correct as necessary, appropriations erroneously charged by the Department of Health and Human Resources and recorded by the Department of the Treasury.

Management Decision: USAID accepts the finding and recommendation.

M/CFO will continue to research and resolve issues related to advances. To date, we have made great strides researching, recovering and posting outstanding advances. Updated procedures have been drafted, are in the review process, and will be incorporated into the appropriate section of the Agency's Automated Directives System (ADS) to reflect policies and procedures related to establish accounts receivables and applicable advance timeframes. In addition, M/CFO has developed procedures to ensure timely corrections of DHHS transactions in its financial system, Phoenix.

Target completion date: June 30, 2014

Significant Deficiency: USAID Could Not Provide Documentation to Support Payroll Deductions

Recommendation No. 4: We recommend that USAID's Office of Human Resources implement applicable work flow or business processes that clearly delineate roles and responsibilities within the Office of Human Resources for processing different types of actions, whether they were first entered manually or electronically, to make sure that records that support deductions from employees' salaries are easily retrievable.

Management Decision: USAID accepts the finding and recommendation.

The USAID/Office of Human Resources will continue to coordinate with M/CFO to: 1) document and review business processes for various OHR actions impacting payroll deductions including hiring, transfers, open seasons, and qualifying life events; and 2) based on the business process review, create and/or update SOPs that identify accountable staff responsible for scanning and indexing new personnel documents in the eOPF, identify required documentation and records that support deductions from employees' salaries, and include timelines within which new actions are entered into the eOPF.

Target completion date: June 30, 2014

Significant Deficiency: Intragovernmental Transactions Remain Unreconciled (Repeat Finding)

Management Decision: USAID accepts the finding and will continue to coordinate with other federal agencies to resolve the Intragovernmental differences in a timely manner.

Target completion date: September 30, 2015

In closing, I would like to confirm USAID's commitment to continuously improve its financial management. We will build on the noted improvements made last year and further develop as well as implement long-term solutions to address the issues cited in your report. M/CFO will continue to ensure that all necessary steps are taken to institutionalize strong financial management performance throughout the Agency.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

OMB Circular A–50, "Audit Followup," states that a management decision on audit recommendations shall be made within a maximum of 6 months after a final report is issued. Corrective action should proceed as rapidly as possible.

Status of 2012 Findings and Recommendations

Recommendation 1. We recommend that the Chief Financial Officer verify that all differences between USAID and the Department of the Treasury are researched and resolved in a timely manner in accordance with Treasury financial manual reconciliation procedures.

Status: This recommendation is still pending final action. The Chief Financial Officer will focus on researching and resolving the $114 million difference and all outstanding differences more than a year old in the Web-based Cash Reconciliation System (eCART. The target completion date is September 30, 2015.

Recommendation 2. We recommend that the Chief Financial Officer augment its general ledger reconciliation processes to ensure that (a) the postings in the general ledger are reconciled periodically with the postings in the subsidiary ledgers, (b) general ledger differences are researched and resolved in a timely manner, (c) errors are corrected in a timely manner to maintain accurate account balances in the general ledger, and (d) detailed documentation of analysis and reconciliations supporting adjustments are maintained and easily retrievable for examination.

Status: This recommendation was closed on September 30, 2013.

Recommendation 3. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and relevant Bureau Assistant Administrators to (a) initiate targeted reviews of awards that are more than 3 years old with unliquidated obligation balances and (b) verify that obligation managers conduct the periodic reviews required to initiate deobligation action on unliquidated obligations.

Status: This recommendation is still pending final action. The Chief Financial Officer indicated that the Agency would continue to identify and reduce contracts and obligations currently in closeout. Management has contracted with an independent accounting firm to assist in the review process. The target completion date is September 30, 2014.

Recommendation 4. We recommend that the Chief Financial Officer (a) continue to upgrade controls at missions, (b) update Automated Directives System 636 to include the desktop procedures implemented by the Cash Management and Payment Division, (c) clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, (d) research and resolve all outstanding amounts that remain in the Department of Health and Human Services synchronization report from prior years, and (e) implement a review and approval process to reclassify expenses as advances for amounts that were reported by the Department of Health and Human Services Payment Management System.

Status: This recommendation is still pending final action. The Chief Financial Officer indicated that the Agency will continue to strengthen and improve business processes to reduce its outstanding advances. USAID will take the following actions:

(a) Continue to upgrade controls at missions.

(b) Revise ADS 636, "Program Advances," to include internal mandatory references related to procedures that enhance the liquidation process for both Washington and the missions.

(c) Revise ADS 636, "Program Advances," to clarify when an outstanding advance should be reported to the contracting or agreement officer for debt determination, and cross-reference ADS 636 and 625.

(d) Resolve items totaling $2.9 million (remaining after USAID resolved a $4.9 million item) related to nonpooled advances.

Recommendation 5. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance to augment procedures to verify that contracting officer's representatives review, validate, and modify as necessary the quarterly accounts payable and accrued expenses generated by the Accrual Reporting System before that information is recorded in the general ledger.

Status: This recommendation was closed on March 31, 2013.

Recommendation 6. We recommend that the Chief Financial Officer in coordination with the Office of Human Resources ensure: (a) that personnel files are updated to reflect all personnel actions and (b) that a reconciliation with National Finance Center records is performed to ensure that bi-weekly and annual salary pay caps are not exceeded.

Status: This recommendation is still pending final action. The Chief Financial Officer will coordinate with the Office of Human Resources to (a) ensure that personnel files are updated by eliminating the backlog of personnel actions and (b) work with NFC to implement a system edit to assist in preventing annual salary payments above the aggregate pay cap. The target completion date is June 30, 2014.

Status of 2011 Findings and Recommendations

Recommendation 2. We recommend that the Office of the Chief Financial Officer (a) develop and implement a plan to complete its reconciliation of loan balances in the Phoenix accounting system with the balances maintained in the PNC Enterprise Loan System and (b) ensure that all Enterprise Loan System transactions transmitted to Phoenix via the interface are properly accounted for and recorded in Phoenix.

Status: This recommendation was closed on April 30, 2013.

Recommendation 3. We recommend that the Chief Financial Officer coordinate with the Office of Acquisition and Assistance and with Bureau Assistant Administrators to (a) initiate targeted reviews of non-GLAAS obligations and batch obligations for automatic deobligation for small-dollar obligation balances, travel, operating-expense-funded obligations and program-funded obligations that are older than 5 years; (b) utilize the services of independent public accounting firms to expedite the close out audit process; and (c) require obligation officials to include period-of-performance dates for all procurement type awards.

Status: This recommendation is still pending final action. The Office of the Chief Financial Officer, in coordination with the Office of Acquisition and Assistance, will continue to identify and reduce contracts and obligations in closeout, and research the use of additional sources to expedite review. As noted, the Office of the Chief Financial Officer will also collaborate with the Office of Acquisition and Assistance to evaluate alternative service providers to expedite audit closeout. The Office of the Chief Financial Officer will continue to target specific areas for batched processing, including low-dollar, miscellaneous, and travel-related obligations. The target completion date is September 30, 2014.

Status of 2010 Findings and Recommendations

Recommendation 1. We recommend that the Chief Financial Officer (a) provide changes in its crosswalk to the Department of Health and Human Services in a timely manner to ensure that the Department of Health and Human Services charges all third-party transactions to appropriate appropriations; and (b) research and resolve all suspense items within the time stipulated by the Department of Treasury.

Status: This recommendation is still pending final action. The Chief Financial Officer noted that the auditors acknowledged progress in the reconciliation of current transactions with the implementation of the fund balance reconciliation tool. The Chief Financial Officer will focus on eliminating legacy differences, correcting the Health and Human Services crosswalk, and clearing items from the suspense accounts within 60 days. The target completion date is December 31, 2015.

Status of 2005 Findings and Recommendations

In the FY 2005 audit report, OIG recommended that USAID's Chief Financial Officer direct the Financial Management Office to conduct quarterly intragovernmental reconciliations of activity and balances with its trading partners in accordance with the requirements of the *Federal Intragovernmental Transactions Accounting Policies Guide*, issued by the Department of Treasury's Financial Management Service.

Status: OIG has made no recommendations in the last few years because USAID is continuously researching intragovernmental activity and developing new tools to improve its reconciliation process to eliminate the differences.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

As of September 30, 2013 and 2012
(In Thousands)

	2013	2012 (Restated)
ASSETS:		
Intragovernmental:		
Fund Balance with Treasury (Notes 2, 15 and 20)	$ 30,810,158	$ 28,946,169
Accounts Receivable (Note 3)	27	30
Other Assets (Note 4)	76,977	85,396
Total Intragovernmental	30,887,162	29,031,595
Cash and Other Monetary Assets (Note 5)	343,296	349,069
Accounts Receivable, Net (Note 3)	40,106	88,239
Direct Loans and Loan Guarantees, Net (Note 6)	2,574,346	2,773,576
Inventory and Related Property, Net (Note 7)	35,996	29,607
General Property, Plant, and Equipment, Net (Notes 8 and 9)	64,785	76,360
Advances (Notes 4 and 20)	441,386	457,807
Total Assets	**$ 34,387,077**	**$ 32,806,253**
LIABILITIES:		
Intragovernmental:		
Accounts Payable (Notes 10 and 15)	$ 42,534	$ 121,730
Debt (Note 11)	481,000	478,304
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,391,590	2,613,998
Other Liabilities (Note 12)	724,053	756,861
Total Intragovernmental	3,639,177	3,970,893
Accounts Payable (Note 10)	1,570,342	1,867,144
Loan Guarantee Liability (Notes 6 and 10)	1,846,853	2,012,358
Federal Employee and Veteran's Benefits (Note 13)	26,047	23,582
Other Liabilities (Notes 10, 12, and 13)	541,855	545,576
Total Liabilities	**7,624,274**	**8,419,553**
Commitments and Contingencies (Note 14)		
NET POSITION:		
Unexpended Appropriations (Note 20)	22,745,711	21,286,109
Cumulative Results of Operations	4,017,092	3,100,591
Total Net Position (Notes 15 and 20)	**26,762,803**	**24,386,700**
Total Liabilities and Net Position	**$ 34,387,077**	**$ 32,806,253**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF NET COST

For the Years Ended September 30, 2013 and 2012

(In Thousands)

OBJECTIVES	2013	2012 (Restated)
Peace and Security:		
Gross Costs	$ 700,792	$ 688,584
Less: Earned Revenue	(3,296)	(3,125)
Net Program Costs	697,496	685,459
Governing Justly and Democratically:		
Gross Costs	935,670	2,790,514
Less: Earned Revenue	(3,037)	(9,092)
Net Program Costs	932,633	2,781,422
Investing in People:		
Gross Costs	2,909,743	3,051,384
Less: Earned Revenue	(43,439)	(619,153)
Net Program Costs	2,866,304	2,432,231
Economic Growth:		
Gross Costs	4,171,403	3,878,650
Less: Earned Revenue	(812,383)	(308,266)
Net Program Costs	3,359,020	3,570,384
Humanitarian Assistance:		
Gross Costs	1,616,207	1,353,613
Less: Earned Revenue	(7,674)	(6,129)
Net Program Costs	1,608,533	1,347,484
Operating Unit Management:		
Gross Costs	900,855	677,233
Less: Earned Revenue	(5,223)	(3,095)
Net Program Costs	895,632	674,138
Net Cost of Operations (Notes 16, 17, and 20)	**$ 10,359,618**	**$ 11,491,118**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013	2012 (Restated)
Cumulative Results of Operations:		
Beginning Balances	$ 3,102,471	$ 2,029,230
Adjustments – Correction of Errors	(1,880)	–
Beginning Balances, as Adjusted	3,100,591	2,029,230
Budgetary Financing Sources:		
Appropriations Used	10,905,583	11,551,390
Nonexchange Revenue	–	368
Donations and Forfeitures of Cash and Cash Equivalents	186,146	225,759
Transfers-in/out Without Reimbursement	163	–
Other Financing Sources (Non-Exchange):		
Transfers-in/out Without Reimbursement	142,254	754,968
Imputed Financing	41,973	29,994
Total Financing Sources	11,276,119	12,562,479
Net Cost of Operations	(10,359,618)	(11,491,118)
Net Change	916,501	1,071,361
Cumulative Results of Operations (Note 20)	4,017,092	3,100,591
Unexpended Appropriations:		
Beginning Balance	21,631,982	21,202,085
Adjustments – Correction of Errors	(345,873)	–
Beginning Balance, as Adjusted	21,286,109	21,202,085
Budgetary Financing Sources:		
Appropriations Received	12,188,566	11,536,737
Appropriations Transferred in/out	284,516	75,479
Other Adjustments	(107,897)	23,198
Appropriations Used	(10,905,583)	(11,551,390)
Total Budgetary Financing Sources	1,459,602	84,024
Total Unexpended Appropriations	22,745,711	21,286,109
Net Position	**$ 26,762,803**	**$ 24,386,700**

The accompanying notes are an integral part of these statements.

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COMBINED STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013		2012 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Budgetary Resources:				
Unobligated Balance, Brought Forward, October 1	$ 8,075,315	$ 1,878,293	$ 7,875,446	$ 2,421,365
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	–	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	8,075,315	1,878,293	7,875,446	2,421,365
Recoveries of Prior Year Unpaid Obligations	639,688	200	472,000	20
Other Changes in Unobligated Balance (+ or -)	(274,917)	–	(118,331)	(71)
Unobligated Balance from Prior Year Budget Authority, Net	8,440,086	1,878,493	8,229,115	2,421,314
Appropriations (Discretionary and Mandatory)	11,964,208	–	11,575,665	(18)
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	2,696	–	–
Contract Authority (Discretionary and Mandatory)	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,339,770	185,173	812,068	209,557
Total Budgetary Resources	**$ 21,744,064**	**$ 2,066,362**	**$ 20,616,848**	**$ 2,630,853**
Status of Budgetary Resources:				
Obligations Incurred	$ 12,048,248	$ 204,257	$ 12,541,533	$ 752,560
Unobligated Balance, End of Year:				
Apportioned	8,616,699	222,522	7,398,435	309,839
Exempt from Apportionment	–	–	–	–
Unapportioned	1,079,117	1,639,583	676,880	1,568,454
Total Unobligated Balance, End of Year	9,695,816	1,862,105	8,075,315	1,878,293
Total Budgetary Resources	**21,744,064**	**$ 2,066,362**	**$ 20,616,848**	**$ 2,630,853**

(continued on next page)

COMBINED STATEMENT OF BUDGETARY RESOURCES *(continued)*

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013		2012 (Restated)	
	Budgetary	Non-Budgetary Credit Reform	Budgetary	Non-Budgetary Credit Reform
Change in Obligated Balance:				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ 18,338,078	$ 1,300	$ 17,505,109	$ (282)
Adjustment to Unpaid Obligations, Start of Year (+ or -)	(64,892)	(704)	–	–
Obligations Incurred	12,048,248	204,257	12,541,533	752,560
Outlays (Gross) (-) (Note 20)	(11,116,252)	(200,786)	11,301,456	(751,662)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	32,120	–	–	–
Recoveries of Prior Year Unpaid Obligations (-)	(639,688)	(200)	(472,000)	(20)
Unpaid Obligations, End of Year	18,597,614	3,867	18,273,186	596
Uncollected Payments:				
Uncollected Payments, Federal Sources, Brought Forward, Oct 1 (-)	(40,480)	35	(34,395)	35
Adjustment to Uncollected Payments, Federal Sources, Start of Year (+ or -)	–	–	–	–
Change in Uncollected Payments, Federal Sources (+ or -)	(26,900)	(35)	(6,085)	–
Actual Transfers, Uncollected Payments, Federal Sources (Net) (+ or-)	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	(67,380)	–	(40,480)	35
Budget Authority and Outlays, Net:				
Budget Authority, Gross (Discretionary and Mandatory)	$ 13,303,979	$ 187,868	$ 12,387,732	$ 209,540
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(1,236,285)	(185,137)	(1,077,951)	(209,558)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	(26,900)	(35)	(6,085)	–
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	$ 12,040,794	$ 2,696	$ 11,303,696	$ (18)
Outlays, Gross (Discretionary and Mandatory) (Note 20)	$ 11,116,252	$ 200,786	$ 11,301,456	$ 751,662
Actual Offsetting Collections (Discretionary and Mandatory)	(1,236,285)	(185,137)	(1,077,951)	(209,558)
Outlays, Net (Discretionary and Mandatory)	9,879,967	15,649	10,223,505	542,104
Distributed Offsetting Receipts (-)	(381,293)	–	(923,914)	–
Agency Outlays, Net (Discretionary and Mandatory)	**$ 9,498,674**	**$ 15,649**	**$ 9,299,591**	**$ 542,104**

The accompanying notes are an integral part of these statements.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying principal financial statements report USAID's financial position and results of operations. They have been prepared using USAID's books and records in accordance with Agency accounting policies, the most significant of which are summarized in this note. The statements are presented in accordance with the guidance and requirements of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*.

USAID accounting policies follow generally accepted accounting principles for the Federal government, as established by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These standards have been agreed to, and published by the Director of the OMB, the Secretary of the Treasury, and the Comptroller General.

B. REPORTING ENTITY

Established in 1961 by President John F. Kennedy, USAID is the independent U.S. Government agency that provides economic development and humanitarian assistance to advance United States economic and political interests overseas.

PROGRAMS

The principal statements present the financial activity of various programs and accounts managed by USAID. The programs include Assistance for Europe, Eurasia, and Central Asia; Civilian Stabilization Initiative; Capital Investment Fund; Economic Support Fund; Development Assistance; International Disaster Assistance; Global Health and Child Survival; Complex Crisis Fund; Transition Initiatives; and Direct and Guaranteed Loan Programs. This classification is consistent with the budget of the United States.

Assistance for Europe, Eurasia, and Central Asia

Funds appropriated under this heading are considered to be economic assistance under the Foreign Assistance Act of 1961.

This account provides funds for a program of assistance to the independent states that emerged from the former Soviet Union. These funds support the U.S. foreign policy goals of consolidating improved U.S. security; building a lasting partnership with the new independent states; and providing mutual access to markets, resources, and expertise.

Civilian Stabilization Initiative

This fund provides support for the necessary expenses needed to establish, support, maintain, mobilize, and deploy a civilian response corps in coordination with the USAID. This fund is also used for related reconstruction and stabilization assistance to prevent or respond to conflict or civil strife in foreign countries or regions, or to enable transition from such unstable conditions.

Capital Investment Fund

This fund provides for the necessary expenses of overseas construction and related costs, and for procurement and enhancement of information technology and related capital investments. Specifically, this fund provides assistance in supporting the Global Acquisition and Assistance System (GLAAS).

Economic Support Fund

The Economic Support Fund (ESF) supports U.S. foreign policy objectives by providing economic assistance to allies and countries in transition to democracy. Programs funded through this account promote stability and U.S. security interests in strategic regions of the world.

Development Assistance

This program provides economic resources to developing countries with the aim of bringing the benefits of development to the poor. The program promotes broad-based, self-sustaining economic growth and opportunity, and supports initiatives intended to stabilize population growth, protect the environment and foster increased democratic participation in developing countries. The program is concentrated in those areas in which the United States has special expertise and which promise the greatest opportunity for the poor to better their lives.

International Disaster Assistance

Funds for the International Disaster Assistance Program provide relief, rehabilitation, and reconstruction assistance to foreign countries struck by disasters such as famines, floods, hurricanes and earthquakes. The program also provides assistance in disaster preparedness, prevention and mitigation; and providing emergency commodities and services for immediate healthcare and nutrition. Additionally, this fund supports the capability to provide timely emergency response to disasters worldwide.

Global Health and Child Survival

This fund provides economic resources to developing countries in support of programs to improve infant and child nutrition, with the aim of reducing infant and child mortality rates; to reduce HIV transmission and the impact of the HIV/AIDS pandemic in developing countries; to reduce the threat of infectious diseases of major public health importance such as polio, malaria or tuberculosis; and to expand access to quality basic education for girls and women.

Complex Crisis Fund

This fund provides for necessary expenses under of the Foreign Assistance Act of 1961 to support programs and activities around prevention of, or response to emerging or unforeseen complex crises overseas.

Transition Initiatives

This fund provides for humanitarian programs that provide post conflict assistance to victims of both natural and man-made disasters. The program supports U.S. foreign policy objectives by helping local partners advance peace and democracy in priority countries in crisis. Seizing critical windows of opportunity, the Office of Transition Initiatives (OTI) works on the ground to provide fast, flexible, short-term assistance targeted at key political transition and stabilization needs.

Direct and Guaranteed Loans

- ***Direct Loan Program***

  These loans are authorized under the Foreign Assistance Act, various predecessor agency programs, and other foreign assistance legislation. Direct Loans are issued in both U.S. dollars and the currency of the borrower. Foreign currency loans made "with maintenance of value" places the risk of currency devaluation on the borrower, and are recorded in equivalent U.S. dollars. Loans made "without maintenance of value" place the risk of devaluation on the U.S. Government, and are recorded in the foreign currency of the borrower.

- ***Urban and Environmental Program***

  The Urban and Environmental (UE) Program extends guaranties to U.S. private investors who make loans to developing countries, to assist them in formulating and executing sound housing and community development policies that meet the needs of lower income groups.

- ***Micro and Small Enterprise Development Program***

  The Micro and Small Enterprise Development (MSED) Program was established to support private sector activities in developing countries by

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providing direct loans and loan guarantees to local micro and small enterprises. Although the MSED program is still active, most of USAID's new loan guarantee activity is managed through the Development Credit Authority (DCA) Program.

- ***Development Credit Authority***

  The first obligations for USAID's Development Credit Authority were made in FY 1999. The DCA allows missions and other offices to use loans and loan guarantees to achieve their development objectives when it can be shown that (1) the project generates enough revenue to cover the debt service including USAID fees, (2) there is at least 50% risk-sharing with a private-sector institution, and (3) the DCA guarantee addresses a financial market failure in-country and does not "crowd-out" private sector lending. The DCA can be used in any sector and by any USAID operating unit whose project meets the DCA criteria. DCA projects are approved by the Agency Credit Review Board and the Chief Financial Officer.

- ***Israel Loan Guarantee Program***

  Congress authorized the Israel Loan Guarantee Program in Section 226 of the Foreign Assistance Act to support the costs for immigrants resettling to Israel from the former Soviet Union, Ethiopia, and other countries. Under this program, the U.S. Government guaranteed the repayment of up to $10 billion in loans from commercial sources. Borrowing was completed under the program during FY 1999. Approximately $9.2 billion was guaranteed, of which $7.0 billion remains outstanding.

  In FY 2003, Congress authorized a second Israel Loan Guarantee Program of up to $9.0 billion to support Israel's comprehensive economic plan to overcome economic difficulties and create conditions for higher and sustainable growth. Four billion one hundred million dollars has been borrowed under this program, of which the entire $4.1 billion remains outstanding.

- ***Loan Guarantees to Egypt Program***

  The Loan Guarantees to Egypt Program was established under the Emergency Wartime Supplemental Appropriations Act of 2003. Under this program, the U.S. Government was authorized to issue an amount not to exceed $2 billion in loan guarantees to Egypt during the period beginning March 1, 2003 and ending September 30, 2005. New loan guarantees totaling $1.25 billion were issued in FY 2005 before the expiration of the program.

- ***Loan Guarantee to Tunisia Program***

  The Loan Guarantee to Tunisia Program was established under Title III of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012, Division I of Pub. L. No. 112-74, to provide support for the Republic of Tunisia through a loan guarantee. Under this program, the U.S. Government is authorized to issue guarantees with respect to the payment obligations of Tunisia for Notes, for which USAID's budget cost, calculated in accordance with Federal Credit Reform Act of 1990, would not exceed $30 million. Using this budget cost as a basis for determining the loan guarantee, Tunisia issued Notes totaling $485 million in FY 2012.

FUND TYPES

The principal statements include the accounts of all funds under USAID's control. Most of the fund accounts relate to general fund appropriations. USAID also has special funds, revolving funds, trust funds, deposit funds, a capital investment fund, receipt accounts, and budget clearing accounts.

General fund appropriations and the Special fund are used to record financial transactions under Congressional appropriations or other authorization to spend general revenue.

Revolving funds are established by law to finance a continuing cycle of operations, with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress.

Trust funds are credited with receipts generated by the terms of the underlying trust agreement or statute. At the point of collection, these receipts may be available or unavailable, depending upon statutory spending authority.

Deposit funds are established for (1) amounts received for which USAID is acting as a fiscal agent or custodian, (2) unidentified remittances, (3) monies withheld from payments for goods or services received, and (4) monies held awaiting distribution on the basis of legal determination.

The capital investment fund contains no-year (non-expiring) funds to provide the Agency with greater flexibility to manage investments in technology systems and facility construction than allowed under the annual appropriation for operating expenses.

C. BASIS OF ACCOUNTING

Transactions are recorded on both an accrual and budgetary basis. Under the accrual basis, 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 constraints on, and controls of, the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

D. BUDGETS AND BUDGETARY ACCOUNTING

The components of USAID's budgetary resources include current budgetary authority (that is, appropriations and borrowing authority) and unobligated balances remaining from multiyear and no-year budget authority received in prior years. Budget authority is the authorization provided by law to enter into financial obligations that result in immediate or future outlays of federal funds. Budgetary resources also include reimbursement and other income (that is, spending authority from offsetting collections credited to an appropriation or fund account) and adjustments (that is, recoveries of prior year obligations).

Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, for five years until that account is canceled. When accounts are canceled amounts are not available for obligations or expenditure for any purpose and are returned to Treasury.

The "Consolidated Appropriations Act" signed into law as Pub. L. No. 112-74 provides to USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, commonly known as "7011/511" authority, a name that is based on references to the previous appropriations acts. Under this authority, funds shall remain available for obligation for an extended period if such funds are initially obligated within their initial period of availability.

E. REVENUES AND OTHER FINANCING SOURCES

USAID receives the majority of its funding through congressional appropriations—annual, multiyear, and no-year (non-expiring) appropriations—that may be used within statutory limits. Appropriations are recognized as a financing source (i.e., Appropriations used) on the Statement of Changes in Net Position at the time the related program or administrative expenses are incurred. Appropriations expended for capitalized property and equipment are not recognized as expenses. In addition to funds warranted directly to USAID, the agency also receives allocation transfers from the Department of Agriculture (USDA) Commodity Credit Corporation, the Executive Office of the President, the Department of State, and Millennium Challenge Corporation (MCC).

Additional financing sources for USAID's various credit programs and trust funds include amounts obtained through collection of guaranty fees, interest income on rescheduled loans, penalty interest on delinquent balances, permanent indefinite borrowing authority from the U.S. Treasury, proceeds from the sale of overseas real property acquired by USAID, and advances from foreign governments and international organizations.

Revenues are recognized as financing sources to the extent that they are received by USAID from other agencies, other governments and the public. Imputed revenues are reported in the financial statements to offset imputed costs. Amounts received from other Federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred.

F. FUND BALANCE WITH THE U.S. TREASURY

Cash receipts and disbursements are processed by the U.S. Treasury. The fund balances with Treasury are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, but they also include revolving, deposit, and trust funds.

G. FOREIGN CURRENCY

The Direct Loan Program maintains foreign currency funds, which are used to disburse loans in certain countries. Those balances are reported at the U.S. dollar equivalents using the exchange rates prescribed by the U.S. Treasury. A gain or loss on currency conversion is recognized for any change in valuation of foreign currencies at year-end. Additionally, some USAID host countries contribute funds for the overhead operation of the host mission and the execution of USAID programs. These funds are held in trust and reported in U.S. dollar equivalents on the Balance Sheet and Statement of Net Costs.

H. ACCOUNTS RECEIVABLE

Accounts receivable consist of amounts due mainly from foreign governments but also from other Federal agencies and private organizations. USAID regards amounts due from other Federal agencies as 100 percent collectible. The Agency establishes an allowance for uncollectible accounts receivable for non-loan or revenue generating sources based on a historical analysis of collectability.

I. DIRECT LOANS AND LOAN GUARANTEES

Loans are accounted for as receivables after funds have been disbursed. For loans obligated before October 1, 1991 (the pre-credit reform period), loan principal, interest, and penalties receivable are reduced by an allowance for estimated uncollectible amounts. The allowance is estimated based on a net present value method prescribed by OMB that takes into account country risk and projected cash flows.

For loans obligated on or after October 1, 1991, the loans receivable are reduced by an allowance equal to the net present value of the cost to the United States Government of making the loan. This cost, known as "subsidy", takes into account all cash inflows and outflows associated with the loan, including the interest rate differential between the loans and Treasury borrowing, the estimated delinquencies and defaults net of recoveries, and offsets from fees and other estimated cash flows. This allowance is re-estimated when necessary and changes reflected in the operating statement.

Loans have been made in both U.S. dollars and foreign currencies. Loans extended in foreign currencies can be with or without "Maintenance of Value" (MOV). Foreign currency exchange gain or loss is recognized on those loans extended without MOV, and reflected in the net credit programs receivable balance.

Credit program receivables also include origination and annual fees on outstanding guarantees, interest on rescheduled loans and late charges. Claims receivables (subrogated and rescheduled) are due from foreign governments as a result of defaults for pre-1992 guaranteed loans. Receivables are stated net of an allowance for uncollectible accounts that is determined using an OMB approved net present value default methodology.

While estimates of uncollectible loans and interest are made using methods prescribed by OMB, the final determination as to whether a loan is collectible is also affected by actions of other federal government agencies.

J. ADVANCES

Funds disbursed before expenditures are incurred are recorded as advances. Most advances consist of funds disbursed under letters of credit to contractors and grantees. The advances are liquidated and recorded as expenses upon receipt of expenditure reports from the recipients.

K. INVENTORY AND RELATED PROPERTY

USAID's inventory and related property are comprised of life essential materials and supplies. The Agency has materials and supplies in reserve for foreign disaster assistance stored at strategic sites around the world. These include tents, disaster kits, field packs, and water purification units.

Agency supplies held in reserve for future use are items not readily available in the market, or for which there is more than a remote chance that the supplies will be needed, but not in the normal course of operations. Their valuation is based on cost and they are not considered "held for sale." USAID has no supplies categorizable as excess, obsolete, or unserviceable operating materials and supplies.

L. PROPERTY, PLANT AND EQUIPMENT

USAID capitalizes all property, plant and equipment that have an acquisition cost of $25,000 or greater and a useful life of two years or more. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost, depending on when the asset was put into production and depreciated using the straight-line method (mid-year and mid-quarter). Real property is depreciated over 20 years, nonexpendable personal property is depreciated over three to five years, and capital leases are depreciated according to the terms of the lease. The Agency uses land, buildings, and equipment that are provided by the General Services Administration. Internal use software that has development costs of $300,000 or greater is capitalized. Deferred maintenance amounts are immaterial with respect to the financial statements.

M. LIABILITIES

Liabilities represent the amount of monies or other resources that are likely to be paid by USAID as the result of transactions or events that have already occurred. However, no liability can be paid by the Agency without an appropriation or borrowing authority. Liabilities for which an appropriation has not been enacted are therefore classified as liabilities not covered by budgetary resources (unfunded liabilities), and there is no certainty that the appropriations will be enacted. Also, these liabilities can be nullified by the U.S. Government, acting in its sovereign capacity.

N. LIABILITIES FOR LOAN GUARANTEES

The Credit Reform Act (CRA) of 1990, which became effective on October 1, 1991, significantly changed the manner in which USAID finances the activities of loan programs. The main purpose of the CRA was to more accurately measure the cost of Federal credit programs and to place the cost of such programs on a budgetary basis equivalent to other Federal spending. Consequently, commencing in fiscal 1992, USAID can only make new loans or guarantees with an appropriation available to fund the cost of making the loan or guarantee. This cost is known as "subsidy."

For USAID's loan guarantee programs, when guarantee commitments are made, an obligation for subsidy cost is recorded in the program account. This cost is based on the net present value of the estimated net cash outflows to be paid by the Program as a result of the loan guarantees, except for administrative costs, less the net present value of all cash inflows to be generated from those guarantees. When the loans are disbursed, the subsidy cost is disbursed from the program account to a financing account.

For loan guarantees made before the CRA (pre-1992), the liability for loan guarantees represents an unfunded liability. Footnote 6 displays the unfunded amounts separate from the post-1991 liabilities. The amount of unfunded liabilities also represents a future funding requirement for USAID. The liability is calculated using a reserve methodology that is similar to the OMB-prescribed method for post-1991 loan guarantees.

O. ANNUAL, SICK, AND OTHER LEAVE

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of leave are expensed as taken.

P. RETIREMENT PLANS AND POST EMPLOYMENT BENEFITS

USAID recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time the employees provide the related services. The pension expense recognized in the financial statements equals the current service cost for USAID employees for the accounting period less the amount contributed by the employees. The measurement of the service cost requires the use of an actuarial cost method and assumptions. The Office of Personnel Management (OPM) administers these benefits and provides the factors that USAID applies to calculate the cost. The excess of the pension expense over the amount contributed by USAID and employees represents the amount being financed directly through the Civil Service Retirement System and the Federal Employees Retirement System administered by OPM. This cost is considered imputed cost to USAID.

USAID recognizes a current period expense for the future cost of post retirement health benefits and life insurance for its employees while they are still working. USAID accounts for and reports this expense in its financial statements in a manner similar to that used for pensions, with the exception that employees and USAID do not make contributions to fund these future benefits.

Federal employee benefit costs paid by OPM and imputed by USAID are reported on the Statement of Net Cost.

Q. COMMITMENTS AND CONTINGENCIES

A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain or loss to USAID. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending, threatened or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable. For other litigations, a contingent liability is recognized when similar events occur except that the future outflow or other sacrifice of resources is more likely than not. Footnote 14 identifies commitments and contingency liabilities.

R. NET POSITION

Net position is the residual difference between assets and liabilities. It is composed of unexpended appropriations and cumulative results of operations.

- Unexpended appropriations are the portion of the appropriations represented by undelivered orders and unobligated balances.
- Cumulative results of operations are also part of net position. This account reflects the net difference between expenses and losses and financing sources, including appropriations, revenues and gains, since the inception of the activity.

S. NON-ENTITY ASSETS

Non-entity fund balances are amounts in deposit fund accounts. These include such items as: funds received from outside sources where the government acts as fiscal agent, monies the government has withheld awaiting distribution based on legal determination, and unidentified remittances credited as suspense items outside the budget. For USAID, non-entity assets are minimal in amount as reflected in Note 3, composed solely of accounts receivable, net of allowances.

T. AGENCY COSTS

USAID costs of operations are comprised of program and operating expenses. USAID/Washington program and Mission related expenses by objective are obtained directly from Phoenix, the Agency general ledger. A cost allocation model is used to distribute operating expenses, including Management Bureau, Global Development Alliance, Trust Funds and Support Offices costs to specific goals. Expenses related to Credit Reform and Revolving Funds are directly applied to specific agency goals based on their objectives.

U. PARENT/CHILD REPORTING

USAID is a party to allocation transfers with other federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one department of its ability to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are also charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances. Exceptions to this general rule affecting USAID include the Executive Office of the President, for whom USAID is the child in the allocation transfer but, per OMB guidance, will report all activity relative to these allocation transfers in USAID's financial statements. In addition to these funds, USAID allocates funds as the parent to:

- Department of Energy
- Department of Interior
- Department of Labor
- Department of State
- Department of the Treasury
- Nuclear Regulatory Commission

USAID receives allocation transfers as the child from:

- Department of State
- Executive Office of the President
- Millennium Challenge Corporation
- Department of Agriculture, Commodity Credit Corporation

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury as of September 30, 2013 and 2012 consisted of the following:

FUND BALANCE WITH TREASURY
(In Thousands)

Fund Balance	2013	2012 (Restated)
Trust Funds	$ 258,885	$ 278,168
Revolving Funds	2,423,613	6,183,017
General Funds	28,139,590	21,844,010
Other Funds	(11,930)	640,974
Total	$ 30,810,158	$ 28,946,169

Status of Fund Balance with Treasury	2013	2012 (Restated)
Unobligated Balance		
Available	$ 8,839,221	$ 7,708,272
Unavailable	2,718,700	2,245,334
Obligated and Other Balances Not Yet Disbursed (Net)	19,252,237	18,992,563
Total	$ 30,810,158	$ 28,946,169

Fund Balances with Treasury are the aggregate amounts of USAID's accounts with Treasury for which the agency is authorized to make payments. Other Funds include credit program and operating funds which are established to record amounts held for the loan guarantee and other operating funds.

Unobligated balances become available when apportioned by the OMB for obligation in the current fiscal year. Obligated and other balances not yet disbursed (net) include balances for non-budgetary funds and unfilled customer orders without advances. The unobligated and obligated balances are reflected on the Combined Statement of Budgetary Resources. The total available unobligated balance includes expired funds which are available for upward adjustments, however they are not available to incur new obligations. In the Combined Statement of Budgetary Resources the expired fund balance is included in Unobligated Balances Not Available. The obligated and other balances not yet disbursed include other liabilities without budgetary related obligations.

USAID restated the FY 2012 financial statements due to correction of error. Correction of the error resulted in a $53 million decrease to Fund Balance with Treasury.

NOTE 3. ACCOUNTS RECEIVABLE, NET

The primary components of USAID's accounts receivable as of September 30, 2013 and 2012 are as follows:

ACCOUNTS RECEIVABLE, NET
(In Thousands)

	Receivable Gross	Allowance Accounts	Receivable Net 2013	Receivable Net 2012
Intragovernmental				
Appropriation Reimbursements from Federal Agencies	$ 10	N/A	$ 10	$ 10
Accounts Receivable from Federal Agencies	30,186	N/A	30,186	330,845
Less Intra-Agency Receivables	(30,169)	N/A	(30,169)	(330,825)
Total Intragovernmental Accounts Receivable	27	N/A	27	30
Accounts Receivable from the Public	77,749	(37,643)	40,106	88,239
Total Receivables	$ 77,776	$ (37,643)	$ 40,133	$ 88,269

Entity intragovernmental accounts receivable consist of amounts due from other U.S. Government agencies. No allowance accounts have been established for the intragovernmental accounts receivable, which are considered to be 100% collectible.

All other entity accounts receivable consist of amounts managed by missions or USAID/Washington. These receivables consist of overdue advances, unrecovered advances, and audit findings.

The allowance for uncollectable accounts related to these receivables is calculated based on a historical analysis of collectability. Accounts receivable from missions are collected and recorded to the respective appropriation.

Interest receivable is calculated separately, and there is no interest included in the accounts receivable listed above.

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NOTE 4. OTHER ASSETS

Advances as of September 30, 2013 and 2012 consisted of the following:

ADVANCES
(In Thousands)

	2013	2012 (Restated)
Intragovernmental		
Advances to Federal Agencies	$ 76,977	$ 85,396
Total Intragovernmental	76,977	85,396
Advances to Contractors/Grantees	327,035	129,794
Advances to Host Country Governments and Institutions	115,239	129,495
Advances, Other	(888)	198,518
Total with the Public	441,386	457,807
Total Other Assets	$ 518,363	$ 543,203

Intragovernmental Other Assets are comprised of advance payments to other Federal Government entities for agency expenses not yet incurred and for goods and services not yet received.

Advances to Contractors/Grantees are amounts that USAID pays to cover immediate cash needs related to program implementation until Contractors/Grantees submit expense reports to USAID and USAID records those expenses. Advances to Host Country Governments and Institutions represent amounts advanced by USAID missions to host country governments and other in-country organizations, such as educational institutions and volunteer organizations. Advances, Other consist primarily of amounts advanced for living quarters, travel, and home service.

USAID restated the FY 2012 financial statements due to correction of error. Correction of the error resulted in a $294.7 million decrease to Advances with the Public.

NOTE 5. CASH AND OTHER MONETARY ASSETS

Cash and Other Monetary Assets as of September 30, 2013 and 2012 are as follows:

CASH AND OTHER MONETARY ASSETS
(In Thousands)

Cash and Other Monetary Assets	2013	2012
Foreign Currencies	$ 343,296	$ 349,069
Total Cash and Other Monetary Assets	$ 343,296	$ 349,069

Foreign Currencies are related to Foreign Currency Trust Funds and this totaled $343.3 million in FY 2013 and $349 million in FY 2012. USAID does not have any non-entity cash or other monetary assets.

NOTE 6. DIRECT LOANS AND LOAN GUARANTEES, NET

USAID operates the following loan and/or loan guarantee programs:

- Direct Loan Program (Direct Loan)
- Urban and Environmental Program (UE)
- Micro and Small Enterprise Development Program (MSED)
- Israel Loan Guarantee Program (Israel Loan)
- Development Credit Authority Program (DCA)
- Egypt Loan Guarantee Program
- Tunisia Loan Guarantee Program

Direct loans resulting from obligations made prior to 1992 are reported net of allowance for estimated uncollectible loans. Estimated losses from defaults on loan guarantees resulting from obligations made prior to 1992 are reported as a liability.

The Credit Reform Act of 1990 prescribes an alternative method of accounting for direct loans and guarantees resulting from obligations made after 1991. Subsidy cost, which is the net present value of the cash flows (i.e. interest rates, interest supplements, estimated defaults, fees, and other cash flows) associated with direct loans and guarantees, is required by the Act to be recognized as an expense in the year in which the direct loan or guarantee is disbursed. Subsidy cost is calculated by agency program offices prior to obligation using a model prescribed by the Office of Management and Budget (OMB). Subsidy relating to existing loans and guarantees is generally required to be reestimated on an annual basis to adjust for changes in risk and interest rate assumptions. Direct loans are reported net of an allowance for this subsidy cost (allowance for subsidy). The subsidy costs associated with loan guarantees are reported as loan guarantee liability.

An analysis of loans receivable, loan guarantees, liability for loan guarantees, and the nature and amounts of the subsidy costs associated with the loans and loan guarantees are provided in the following sections.

The following net loan receivable amounts are not the same as the proceeds that USAID would expect to receive from selling its loans. Actual proceeds may be higher or lower depending on the borrower and the status of the loan.

SUMMARY OF LOANS RECEIVABLES, NET
(In Thousands)

	2013	2012
Net Direct Loans Obligated Prior to 1992 (Allowance for Loss Method)	$ 2,218,674	$ 2,414,336
Net Direct Loans Obligated After 1991 (Present Value Method)	221,342	237,142
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method)	134,330	122,098
Total Loans Receivable, Net as reported on the Balance Sheet	$ 2,574,346	$ 2,773,576

DIRECT LOANS

DIRECT LOANS
(In Thousands)

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2013:				
Direct Loans	$ 2,413,663	$ 287,076	$ (482,065)	$ 2,218,674
MSED	29	32	(61)	–
Total	$ 2,413,692	$ 287,108	$ (482,126)	$ 2,218,674
Direct Loans Obligated Prior to 1992 (Allowance for Loss Method) as of September 30, 2012:				
Direct Loans	$ 2,667,424	$ 347,807	$ (600,894)	$ 2,414,337
MSED	29	26	(55)	–
Total	$ 2,667,453	$ 347,833	$ (600,949)	$ 2,414,337

Loan Programs	Loans Receivable Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans, Net
Direct Loans Obligated After 1991 as of September 30, 2013:				
Direct Loans	$ 777,100	$ 6,961	$ (641,807)	$ 142,254
UE - Subrogated Claims	52,356	22,083	4,832	79,271
MSED	150	24	(357)	(183)
Total	$ 829,606	$ 29,068	$ (637,332)	$ 221,342
Direct Loans Obligated After 1991 as of September 30, 2012:				
Direct Loans	$ 771,129	$ 14,802	$ (622,091)	$ 163,840
UE - Subrogated Claims	49,208	16,249	8,029	73,486
MSED	150	24	(357)	(183)
Total	$ 820,487	$ 31,075	$ (614,419)	$ 237,143

TOTAL AMOUNT OF DIRECT LOANS DISBURSED
(In Thousands)

Direct Loan Programs	2013	2012
Direct Loans	$ 3,190,763	$ 3,438,553
UE - Subrogated Claims	52,356	49,208
MSED	179	179
Total	$ 3,243,298	$ 3,487,940

SCHEDULE FOR RECONCILING SUBSIDY COST ALLOWANCE BALANCES (POST-1991 DIRECT LOANS)

(In Thousands)

	2013				2012			
	Direct Loan	UE - Sub. Claims	MSED	Total	Direct Loan	UE - Sub. Claims	MSED	Total
Beginning Balance, Changes, and Ending Balance								
Beginning Balance of the Subsidy Cost Allowance	$ 622,091	$ (8,029)	$ 357	$ 614,419	$ 567,953	$ (18,950)	$ 183	$ 549,186
Add: Subsidy Expense for Direct Loans Disbursed During the Reporting Years by Component:								
(A) Interest Rate Differential Costs	–	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	–	–	–	–	–	–	–	–
(C) Fees and Other Collections	–	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	–	–	–	–	–	–	–	–
Adjustments:								
(A) Loan Modifications	–	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–	–
(C) Foreclosed Property Acquired	–	–	–	–	–	–	–	–
(D) Loans Written Off	–	–	–	–	–	–	–	–
(E) Subsidy Allowance Amortization	(3,790)	–	–	(3,790)	(3,790)	–	–	(3,790)
(F) Other	23,506	3,197	–	26,703	57,928	10,921	174	69,023
Ending Balance of the Subsidy Cost Allowance Before Reestimates	$ 641,807	$ (4,832)	$ 357	$ 637,332	$ 622,091	$ (8,029)	$ 357	$ 614,419
Add or Subtract Subsidy Reestimates by Component:								
(A) Interest Rate Reestimate	–	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	–	–	–	–	–	–	–	–
Total of the Above Reestimate Components	–	–	–	–	–	–	–	–
Ending Balance of the Subsidy Cost Allowance	$ 641,807	$ (4,832)	$ 357	$ 637,332	$ 622,091	$ (8,029)	$ 357	$ 614,419

DEFAULTED GUARANTEED LOANS

(In Thousands)

Loan Guarantee Programs	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance For Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2013				
UE	$ 138,801	$ 23,433	$ (27,904)	$ 134,330
Total	$ 138,801	$ 23,433	$ (27,904)	$ 134,330
Defaulted Guaranteed Loans from Pre-1992 Guarantees (Allowance for Loss Method): 2012				
UE	$ 132,314	$ 93,523	$ (103,738)	$ 122,099
Total	$ 132,314	$ 93,523	$ (103,738)	$ 122,099

DEFAULTED GUARANTEED LOANS FROM POST-1991 GUARANTEES

In 2013, the UE Program experienced $3.8 million in defaults on payments.

In 2012, the UE Program experienced $3.8 million in defaults on payments.

GUARANTEED LOANS OUTSTANDING

GUARANTEED LOANS OUTSTANDING
(In Thousands)

Loan Guarantee Programs	Outstanding Principal, Guaranteed Loans, Face Value	Amount of Outstanding Principal Guaranteed
Guaranteed Loans Outstanding (2013):		
UE	$ 656,726	$ 656,726
MSED	14,760	7,380
Israel	10,921,749	10,921,749
DCA	276,315	138,157
Egypt	1,250,000	1,250,000
Tunisia	485,000	485,000
Total	$ 13,604,550	$ 13,459,012
Guaranteed Loans Outstanding (2012):		
UE	$ 734,890	$ 734,890
MSED	14,760	7,380
Israel	11,280,648	11,280,648
DCA	266,156	133,078
Egypt	1,250,000	1,250,000
Tunisia	485,000	485,000
Total	$ 14,031,454	$ 13,890,996
New Guaranteed Loans Disbursed (2013):		
DCA	$ 95,546	$ 47,773
Tunisia	–	–
Total	$ 95,546	$ 47,773
New Guaranteed Loans Disbursed (2012):		
DCA	$ 76	$ 38
Tunisia	485,000	485,000
Total	$ 485,076	$ 485,038

LIABILITY FOR LOAN GUARANTEES
(In Thousands)

Loan Guarantee Programs	Liabilities for Losses on Pre-1992 Guarantees, Estimated Future Default Claims	Liabilities for Loan Guarantees for Post-1991 Guarantees, Present Value	Total Liabilities for Loan Guarantees
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2013:			
UE	$ –	$ 147,863	$ 147,863
MSED	–	(661)	(661)
Israel	–	1,153,581	1,153,581
DCA	–	72,432	72,432
Egypt	–	460,855	460,855
Tunisia	–	12,783	12,783
Total	$ –	$ 1,846,853	$ 1,846,853
Liability for Loan Guarantees (Estimated Future Default Claims for pre-1992 guarantees) as of September 30, 2012:			
UE	$ 28,528	$ 155,921	$ 184,449
MSED	–	(661)	(661)
Israel	–	1,297,606	1,297,606
DCA	–	62,233	62,233
Egypt	–	438,855	438,855
Tunisia	–	29,876	29,876
Total	$ 28,528	$ 1,983,830	$ 2,012,358

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT
(In Thousands)

Loan Guarantee Programs	Interest Supplements	Defaults	Fees and Other Collections	Other	Total
Subsidy Expense for New Loan Guarantees (2013):					
DCA	$ –	$ –	$ –	$ 6,655	$ 6,655
Tunisia	–	–	–	–	–
Total	$ –	$ –	$ –	$ 6,655	$ 6,655
Subsidy Expense for New Loan Guarantees (2012):					
DCA	$ –	$ 6,396	$ –-	$ –	$ 6,396
Tunisia	–	29,876	–	–	29,876
Total	$ –	$ 36,272	$ –	$ –	$ 36,272

(continued on next page)

SUBSIDY EXPENSE FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT *(continued)*

(In Thousands)

Loan Guarantee Programs	Total Modifications	Interest Rate Reestimates	Technical Reestimates	Total Reestimates
Modifications and Reestimates (2013):				
UE	$ –	$ –	$ (2,023)	$ (2,023)
Israel	–	–	(224,970)	(224,970)
DCA	–	–	7,496	7,496
Egypt	–	–	3,174	3,174
Tunisia	–	–	772	772
Total	$ –	$ –	$ (215,551)	$ (215,551)
Modifications and Reestimates (2012):				
UE	$ –	$ –	$ (4,907)	$ (4,907)
Israel	–	–	(99,363)	(99,363)
DCA	–	–	(380)	(380)
Egypt	–	–	301,455	301,455
Tunisia	–	–	–	–
Total	$ –	$ –	$ 196,805	$ 196,805

TOTAL LOAN GUARANTEE SUBSIDY EXPENSE

(In Thousands)

Loan Guarantee Programs	2013	2012
UE	$ (2,023)	$ (4,907)
MSED	–	–
Israel	(224,970)	(99,363)
DCA	14,150	6,016
Egypt	3,174	301,455
Tunisia	772	29,876
Total	$ (208,897)	$ 233,077

SUBSIDY RATES FOR LOAN GUARANTEES BY PROGRAM AND COMPONENT:

BUDGET SUBSIDY RATES FOR LOAN GUARANTEES FOR THE CURRENT YEAR'S COHORTS

(Percent)

Loan Guarantee Programs	Interest Supplements (%)	Defaults (%)	Fees and Other Collections (%)	Other (%)	Total (%)
DCA	–	4.77%	(0.70)%	–	4.07%
Tunisia	–	0.00%	–	–	0.00%

SCHEDULE FOR RECONCILING LOAN GUARANTEE LIABILITY BALANCES

(In Thousands)

2013

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Tunisia	Total
Beginning Balance, Changes, and Ending Balance							
Beginning Balance of the Loan Guarantee Liability	$ 62,233	$ (661)	$ 155,921	$ 1,297,606	$ 438,855	$ 29,876	$1,983,830
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	6,655	–	–	–	–	–	6,655
(C) Fees and Other Collections	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 6,655	$ –	$ –	$ –	$ –	$ –	$ 6,655
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	–	–	–	–	–	–	–
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	–	–	–	–	–	–	–
(F) Interest Accumulation on the Liability Balance	2,601	–	3,434	80,945	18,826	–	105,806
(G) Other	(6,552)	–	(9,469)	–	–	(17,865)	(33,886)
Ending Balance of the Loan Guarantee Liability Before Reestimates	$ 64,936	$ (661)	$ 149,886	$ 1,378,551	$ 457,681	$ 12,011	$2,062,404
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	7,496	–	(2,023)	(224,970)	3,174	772	(215,551)
Total of the Above Reestimate Components	7,496	–	(2,023)	(224,970)	3,174	772	(215,551)
Ending Balance of the Loan Guarantee Liability	$ 72,432	$ (661)	$ 147,863	$ 1,153,581	$ 460,855	$ 12,783	$1,846,853

2012

(Post-1991 Loan Guarantees)	DCA	MSED	UE	Israel	Egypt	Tunisia	Total
Beginning Balance, Changes, and Ending Balance							
Beginning Balance of the Loan Guarantee Liability	$ 30,206	$ (661)	$ 162,947	$ 1,314,845	$ 131,881	$ –	$1,639,218
Add: Subsidy Expense for Guaranteed Loans Disbursed During the Reporting Years by Component:							
(A) Interest Supplement Costs	–	–	–	–	–	–	–
(B) Default Costs (Net of Recoveries)	6,396	–	–	–	–	29,876	36,272
(C) Fees and Other Collections	–	–	–	–	–	–	–
(D) Other Subsidy Costs	–	–	–	–	–	–	–
Total of the Above Subsidy Expense Components	$ 6,396	$ –	$ –	$ –	$ –	$ 29,876	$ 36,272
Adjustments:							
(A) Loan Guarantee Modifications	–	–	–	–	–	–	–
(B) Fees Received	1,306	–	1,045	–	–	–	2,351
(C) Interest Supplements Paid	–	–	–	–	–	–	–
(D) Foreclosed Property and Loans Acquired	–	–	–	–	–	–	–
(E) Claim Payments to Lenders	(6,575)	(11)	(13,467)	(662,889)	(69,448)	–	(752,390)
(F) Interest Accumulation on the Liability Balance	1,998	–	3,307	82,124	5,519	–	92,948
(G) Other	29,282	11	6,996	662,889	69,448	–	768,626
Ending Balance of the Loan Guarantee Liability Before Reestimates	62,613	(661)	160,828	1,396,969	137,400	29,876	1,787,025
Add or Subtract Subsidy Reestimates by Component:							
(A) Interest Rate Reestimate	–	–	–	–	–	–	–
(B) Technical/Default Reestimate	(380)	–	(4,907)	(99,363)	301,455	–	196,805
Total of the Above Reestimate Components	(380)	–	(4,907)	(99,363)	301,455	–	196,805
Ending Balance of the Loan Guarantee Liability	$ 62,233	$ (661)	$ 155,921	$ 1,297,606	$ 438,855	$ 29,876	$1,983,830

ADMINISTRATIVE EXPENSE
(In Thousands)

Loan Programs	2013	2012
DCA	$ 16,988	$ 13,890
Total	$ 16,988	$ 13,890

OTHER INFORMATION

1. Allowance for Loss for Liquidating account (pre-Credit Reform Act) receivables have been calculated in accordance with OMB guidance using a present value method which assigns risk ratings to receivables based upon the country of debtor. Five countries are in violation of Section 620q of the Foreign Assistance Act (FAA), owing $11.3 million that is more than six months delinquent. Seven countries are in violation of the Brooke-Alexander Amendment to the Foreign Operations Export Financing and Related Programs Appropriations Act, owing $423.3 million that is more than one year delinquent.
2. The MSED Liquidating Account general ledger has a loan receivable balance of $29 thousand. This includes a loan pending closure. This loan is being carried at 100% bad debt allowance.
3. Reestimate amounts are subject to approval by the Office of Management and Budget (OMB), and any adjustments, if necessary, will be made in FY 2014.

NOTE 7. INVENTORY AND RELATED PROPERTY, NET

USAID's Inventory and Related Property, Net is comprised of Operating Materials and Supplies. Operating Materials and Supplies as of September 30, 2013 and 2012 are as follows:

INVENTORY AND RELATED PROPERTY
(In Thousands)

	2013	2012
Items Held for Use		
Office Supplies	$ 3,854	$ 5,260
Items Held in Reserve for Future Use		
Disaster Assistance Materials and Supplies	13,136	11,139
Birth Control Supplies	19,006	13,208
Total Inventory and Related Property	$ 35,996	$ 29,607

Operating Materials and Supplies are considered tangible properties that are consumed in the normal course of business and not held for sale. The valuation is based on historical acquisition costs.

There are no obsolete or unserviceable items, and no restrictions on their use. Items costing less than $25,000 are expensed as incurred.

NOTE 8. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of Property, Plant and Equipment (PP&E) as of September 30, 2013 and 2012 are as follows:

GENERAL PROPERTY, PLANT AND EQUIPMENT, NET
(In Thousands)

	Useful Life	Cost	Accumulated Depreciation	Net Book Value 2013	Net Book Value 2012
Classes of Fixed Assets:					
Equipment	3 to 5 years	$ 82,172	$ (62,451)	$ 19,721	$ 19,468
Buildings, Improvements, and Renovations	20 years	68,852	(45,781)	23,071	25,614
Land and Land Rights	N/A	7,203	N/A	7,203	7,203
Assets Under Capital Lease (Note 9)		–	–	–	–
Construction in Progress	N/A	–	–	–	–
Internal Use Software	3 to 5 years	112,715	(97,925)	14,790	24,075
Total PP&E		$ 270,942	$ (206,157)	$ 64,785	$ 76,360

The threshold for capitalizing assets is $25,000 except for Internal Use Software which is capitalized and amortized at $300,000. Assets are depreciated using the straight line depreciation method. USAID uses the mid-year convention for assets purchased prior to FY 2003 and the mid-quarter convention for assets purchased during FY 2003 and beyond. Depreciable assets are assumed to have no remaining salvage value. There are currently no restrictions on PP&E assets.

USAID PP&E includes assets located in Washington, D.C. offices and overseas field missions.

Equipment consists primarily of electric generators, Automatic Data Processing (ADP) hardware, vehicles and copiers located at the overseas field missions. Note 9 discusses USAID leases.

Buildings, Improvements, and Renovations, in addition to Land and Land Rights include USAID owned office buildings and residences at foreign missions, including the land on which these structures reside. These structures are used and maintained by the field missions. USAID generally does not separately report the cost of the building and the land on which the building resides.

Land consists of property owned by USAID in foreign countries. Land is generally procured with the intent of constructing buildings.

NOTE 9. LEASES

As of September 30, 2013 and 2012 Leases consisted of the following:

LEASES
(In Thousands)

Entity as Lessee

Capital Leases:	**2013**	**2012**
Summary of Assets Under Capital Lease:		
Buildings	$ –	$ –
Accumulated Depreciation	–	–
Net Assets under Capital Leases	$ –	$ –

Description of Lease(s) Arrangements. Capital leases consist of rental agreements entered into by missions for warehouses, parking lots, residential space, and office buildings. These leases are one year or more in duration.

Operating Leases:

Future Payments Due: **Fiscal Year**	**2013** **Future Costs**
2014	$ 100,674
2015	90,298
2016	39,056
2017	31,152
2018	19,515
After 5 Years	29,892
Total Future Lease Payments	$ 310,588

Operating lease payments total $311 million in future lease payments of which $158 million is for the USAID headquarters in Washington, D.C. The current lease agreements are for approximately 802,417 sq. feet and with expiration dates of FY 2013, FY 2015, FY 2016, FY 2017 and FY 2020. The lessor, General Services Administration (GSA), charges commercial rates for USAID's occupancy.

NOTE 10. LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

USAID records liabilities for amounts that are likely to be paid as the direct result of events that have already occurred. USAID considers the Intragovernmental accounts payable as liabilities covered under budgetary resources. These accounts payable are those payable to other federal agencies and consist mainly of unliquidated obligation balances related to interagency agreements between USAID and other federal agencies. The accounts payable with the public represent liabilities to non-federal entities.

Liabilities not covered by budgetary resources include accrued unfunded annual leave and separation pay. Although future appropriations to fund these liabilities are probable and anticipated, Congressional action is needed before budgetary resources can be provided. Accrued unfunded annual leave, workers' compensation benefits, and separation pay represent future liabilities not currently funded by budgetary resources, but will be funded as it becomes due with future resources. The Contingent Liabilities for Loan Guarantees is in the pre-Credit Reform Urban and Environmental (UE) Housing Loan Guarantee liquidating fund. As such, it represents the estimated liability to lenders for future loan guarantee defaults in that program.

As of September 30, 2013 and 2012 liabilities covered and not covered by budgetary resources were as follows:

LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

(In Thousands)

	2013	2012
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	$ 42,534	$ 121,730
Debt (Note 11)	481,000	478,304
Liability for Capital Transfers to the General Fund of the Treasury (Note 11)	2,391,590	2,613,998
Other Liabilities (Note 12)	538,086	660,533
Total Intragovernmental	3,453,210	3,874,565
Accounts Payable	1,564,774	1,856,966
Disbursements in Transit	5,568	10,178
Total Accounts Payable with Public	1,570,342	1,867,144
Loan Guarantee Liability (Note 6)	1,846,853	1,983,830
Other Liabilities with Public	492,341	501,747
Total Liabilities Covered by Budgetary Resources	$ 7,362,746	$ 8,227,286
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
IPAC Suspense	$ (29,203)	$ (7,108)
Unfunded FECA Liability (Note 13)	8,229	8,228
Other Unfunded Employment Related Liability	197	120
Other Liabilities (Note 12)	206,744	95,088
Total Intragovernmental (Note 12)	$ 185,967	$ 96,328
Accrued Annual Leave	49,514	43,829
FSN Separation Pay Liability	–	–
Total Accrued Unfunded Annual Leave and Separation Pay	49,514	43,829
Future Workers' Compensation Benefits (Note 13)	26,047	23,582
Debt - Contingent Liabilities for Loan Guarantees (Note 6)	–	28,528
Total Liabilities Not Covered by Budgetary Resources	261,528	192,267
Total Liabilities	$ 7,624,274	$ 8,419,553

NOTE 11. DEBT

USAID Intragovernmental Debt as of September 30, 2013 and 2012 consisted of the following borrowings from Treasury for post-1991 loan programs, which is classified as other debt:

INTRAGOVERNMENTAL DEBT
(In Thousands)

Debt Due to Treasury	2012 Beginning Balance	Net Borrowing	2012 Ending Balance	Net Borrowing	2013 Ending Balance
Direct Loans	$ 478,195	$ –	$ 478,195	$ 96	$ 478,291
DCA	185	(76)	109	2,600	2,709
Total Treasury Debt	$ 478,380	$ (76)	$ 478,304	$ 2,696	$ 481,000

Pursuant to the Federal Credit Reform Act of 1990, agencies with credit programs have permanent indefinite authority to borrow funds from the Treasury. These funds are used to disburse new direct loans to the public and, in certain situations, to cover credit reform program costs. Liquidating (pre-1992) accounts have permanent indefinite borrowing authority to be used to cover program costs when they exceed account resources.

In FY 2013, no interest was accrued for Development Credit Authority (DCA) and Direct Loans.

The above disclosed debt is principal payable to Treasury, which represents financing account borrowings from Treasury under the Federal Credit Reform Act and net liquidating account equity in the amount of $2.4 billion, which under the Act is required to be recorded as Liability for Capital Transfers to the General Fund of the Treasury. All debt shown is intragovernmental debt.

NOTE 12. OTHER LIABILITIES

As of September 30, 2013 and 2012 Other Liabilities consisted of the following:

OTHER LIABILITIES
(In Thousands)

	2013	2012
Intragovernmental		
IPAC Suspense	$ (29,203)	$ (7,108)
Unfunded FECA Liability (Note 13)	8,229	8,228
Custodial Liability	6,034	8,090
Employer Contributions & Payroll Taxes Payable	2,975	4,765
Other Unfunded Employment Related Liability	197	120
Liability for Advances and Prepayments	529,077	647,678
Other Liabilities	206,744	95,088
Total Intragovernmental	$ 724,053	$ 756,861
Accrued Funded Payroll and Leave	21,905	31,325
Accrued Unfunded Annual Leave and Separation Pay (Note 10)	49,514	43,829
Advances From Others	2,725	2,697
Deferred Credits	360	1,330
Foreign Currency Trust Fund	344,404	350,210
Capital Lease Liability (Note 9)	–	–
Other Liabilities	122,947	116,185
Total Liabilities With the Public	$ 541,855	$ 545,576
Total Other Liabilities	$ 1,265,908	$ 1,302,437

Intragovernmental Liabilities represent amounts due to other federal agencies. All remaining Other Liabilities are liabilities to non-federal entities.

NOTE 13. FEDERAL EMPLOYEES AND VETERAN'S BENEFITS

The provision for workers' compensation benefits payable, as of September 30, 2013 and 2012 are indicated in the table below.

ACCRUED UNFUNDED WORKERS' COMPENSATION BENEFITS

(In Thousands)

	2013	2012
Liabilities Not Covered by Budgetary Resources		
Future Workers' Compensation Benefits	$ 26,047	$ 23,582
Unfunded FECA Liability	8,229	8,228
Total Accrued Unfunded Workers' Compensation Benefits	$ 34,276	$ 31,810

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor (DOL). DOL initially pays valid FECA claims for all Federal government agencies and seeks reimbursement two fiscal years later from the Federal agencies employing the claimants.

For FY 2013, USAID's total FECA liability was $34.3 million, comprised of unpaid FECA billings for $8.2 million and estimated future FECA costs of $26.1 million.

The actuarial estimate for the FECA unfunded liability is determined by the DOL using a method that utilizes historical benefit payment patterns. The projected annual benefit payments are discounted to present value using economic assumption for 10-year Treasury notes and bonds and the amount is further adjusted for inflation.

NOTE 14. COMMITMENTS AND CONTINGENCIES

USAID is involved in certain claims, suits, and complaints that have been filed or are pending. These matters are in the ordinary course of the Agency's operations and are not expected to have a material adverse effect on the Agency's financial operations.

As of September 30, 2013 a total of four cases were pending.

- The first case arises from a fatal automobile collision. The consolidated action asserts negligence against the United States (USAID and the Department of State). The court has dismissed the tort claims. The Agency denied reconsideration. An estimate of the amount or range of potential loss is $48 million. However, the possibility of an unfavorable outcome is remote.
- The second case is a contract claim that USAID wrongfully withheld payment for invoices submitted under the terms of a "Hurricane Mitch" host country contract. An estimate of the amount or range of potential loss is $2.2 million.
- The third case is a companion to the prior case, in which a contractor seeks compensation for efforts and expenses it claims to have incurred under a terminated host country contract. An estimate of the amount or range of potential loss is $1.8 million.
- The fourth case is filed under the Federal Tort Claims Act, and alleges negligence on the part of USAID that resulted in arrest and incarceration of the claimants. Following the briefing, the court dismissed the complaint; thereafter the claimants appealed the dismissal. The case is currently pending before the appellate court. An estimate of the amount or range of potential loss is $60 million.

USAID's normal course of business involves the execution of project agreements with foreign governments that are a type of treaty. All of these agreements give rise to obligations that are fully reported on USAID's financial statements, and none of which are contingent. It is not USAID's normal business practice to enter into other types of agreements or treaties with foreign governments that create contingent liabilities.

NOTE 15. RECOVERY ACT FUNDS

RECOVERY ACT ASSETS, LIABILITIES AND NET POSITION
(In Thousands)

	Recovery Act Assets, Liabilities and Net Position	
	2013	**2012**
Fund Balance With Treasury	$	$ 8
Total Assets		**8**
Accounts Payable		–
Total Liabilities		**–**
Unexpended Appropriations		8
Cumulative Results of Operations		–
Total Net Position		**8**
Total Liabilities and Net Position	**$**	**$ 8**
	Status of Recovery Act Funds	
Total Budgetary Resources	**$**	**$ 8**
Obligations Incurred		–
Unobligated Balance		8
Total Status of Budgetary Resources	**$**	**$ 8**
Total, Unpaid Obligated Balance, Net, End of Period		–
Net Outlays	**$**	**$ 968**

In February 2009, Congress passed the American Recovery and Reinvestment Act of 2009 with the goal to create jobs, spur economic activity and invest in long term economic growth. This $787 billion Recovery plan includes federal tax cuts and incentives, an expansion of unemployment benefits, and other spending on social entitlement programs. In addition, federal agencies are using Recovery funds to award contracts, grants, and loans around the country.

USAID received $38 million for information technology security and upgrades to support mission-critical operations. Due to Agency IT priorities and toward maximizing job creation with the Recovery Act funds, USAID determined that the funding should be dedicated to the Global Acquisition and Assistance System (GLAAS) project. There is one fund in association with the Recovery Act Funds.

The Recovery Act Funds were fully expended in FY 2012 and there is no further reportable activity.

NOTE 16. INTRAGOVERNMENTAL COSTS AND EARNED REVENUE

The Consolidated Statement of Net Cost reports the Agency's gross costs less earned revenues to arrive at net cost of operations by Objective and Program Area, as of September 30, 2013. These objectives are consistent with the State/USAID's Strategic Planning Framework.

The format of the Consolidated Statement of Net Cost is consistent with OMB Circular A-136 guidance.

Note 16 shows the value of transactions between USAID and other federal entities as well as non-federal entities. These are also categorized by Objectives, Program Areas and Responsibility Segments. Responsibility Segments are defined in Note 17.

Intragovernmental costs and earned revenue sources relate to transactions between USAID and other federal entities. Public costs and exchange revenues relate to transactions between USAID and non-federal entities.

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT
For the Years Ended September 30, 2013 and 2012
(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Total	2012 Restated Total
Peace and Security												
Intragovernmental Costs	$ 2,161	$ 1,407	$ 7,200	$ 1,948	$ 2,834	$ –	$ –	$ 4,292	$ 5,532	$ 8,731	$ 34,105	$ 36,571
Public Costs	91,989	25,455	172,892	5,622	64,221	–	–	151,178	1,781	153,549	666,687	652,013
Total Program Costs	94,150	26,862	180,092	7,570	67,055	–	–	155,470	7,313	162,280	700,792	688,584
Intragovernmental Earned Revenue	(273)	(164)	(953)	(122)	(523)	–	–	(791)	–	(444)	(3,270)	(3,020)
Public Earned Revenue	–	(1)	(8)	(1)	(4)	–	–	(12)	–	–	(26)	(105)
Total Earned Revenue	(273)	(165)	(961)	(123)	(527)	–	–	(803)	–	(444)	(3,296)	(3,125)
Net Program Costs	**93,877**	**26,697**	**179,131**	**7,447**	**66,528**	**–**	**–**	**154,667**	**7,313**	**161,836**	**697,496**	**685,459**
Governing Justly and Democratically												
Intragovernmental Costs	6,564	6,550	4,692	651	7,734	–	316	7,223	7,919	8,363	50,012	96,976
Public Costs	203,499	144,132	56,063	6,181	195,007	–	2,933	154,846	122,997	–	885,658	2,693,537
Total Program Costs	210,063	150,682	60,755	6,832	202,741	–	3,249	162,069	130,916	8,363	935,670	2,790,514
Intragovernmental Earned Revenue	(719)	(925)	(686)	(97)	(80)		(58)	(229)	(216)	–	(3,010)	(8,744)
Public Earned Revenue	(3)	(8)	(6)	(1)	(9)	–	–	–	–	–	(27)	(348)
Total Earned Revenue	(722)	(933)	(692)	(98)	(89)	–	(58)	(229)	(216)	–	(3,037)	(9,092)
Net Program Costs	**209,341**	**149,749**	**60,063**	**6,734**	**202,652**	**–**	**3,191**	**161,840**	**130,700**	**8,363**	**932,633**	**2,781,422**
Investing in People												
Intragovernmental Costs	79,201	15,351	3,591	9,954	1,296	12,529	1,003	9,455	17,946	14,584	164,910	210,230
Public Costs	670,593	177,615	86,005	85,436	43,030	521,770	9,376	155,641	713,558	281,809	2,744,833	2,841,154
Total Program Costs	749,794	192,966	89,596	95,390	44,326	534,299	10,379	165,096	731,504	296,393	2,909,743	3,051,384
Intragovernmental Earned Revenue	(11,130)	(2,705)	(651)	(5,182)	(337)	(3,661)	(185)	(1,534)	(2,168)	(2,192)	(29,745)	(611,201)
Public Earned Revenue	(79)	(22)	(5)	(2,897)	(3)	(28)	(2)	(13)	(18)	(10,627)	(13,694)	(7,952)
Total Earned Revenue	(11,209)	(2,727)	(656)	(8,079)	(340)	(3,689)	(187)	(1,547)	(2,186)	(12,819)	(43,439)	(619,153)
Net Program Costs	**738,585**	**190,239**	**88,940**	**87,311**	**43,986**	**530,610**	**10,192**	**163,549**	**729,318**	**283,574**	**2,866,304**	**2,432,231**

(continued on next page)

INTRAGOVERNMENTAL COSTS AND EARNED REVENUE BY RESPONSIBILITY SEGMENT

For the Years Ended September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Total	2012 Restated Total
Economic Growth												
Intragovernmental Costs	57,048	31,255	66	109,448	8,162	–	4,586	41,692	21,343	41,730	315,330	304,285
Public Costs	600,007	365,411	2,392	694,912	198,514	–	44,344	270,184	1,021,097	659,212	3,856,073	3,574,365
Total Program Costs	657,055	396,666	2,458	804,360	206,676	–	48,930	311,876	1,042,440	700,942	4,171,403	3,878,650
Intragovernmental Earned Revenue	(2,092)	(2,165)	(12)	(128,075)	(1,102)	–	(855)	(1,468)	(524,136)	(5,175)	(665,080)	(126,154)
Public Earned Revenue	–	(18)	–	(147,224)	(9)	–	(7)	(12)	(33)	–	(147,303)	(182,112)
Total Earned Revenue	(2,092)	(2,183)	(12)	(275,299)	(1,111)	–	(862)	(1,480)	(524,169)	(5,175)	(812,383)	(308,266)
Net Program Costs	**654,963**	**394,483**	**2,446**	**529,061**	**205,565**	**–**	**48,068**	**310,396**	**518,271**	**695,767**	**3,359,020**	**3,570,384**
Humanitarian Assistance												
Intragovernmental Costs	2,116	22,707	80,682	–	264	–	–	1,257	228	832	108,086	95,603
Public Costs	317	35,766	1,340,017	3,814	15,163	–	–	41,970	42,195	28,879	1,508,121	1,258,009
Total Program Costs	2,433	58,473	1,420,699	3,814	15,427	–	–	43,227	42,423	29,711	1,616,207	1,353,613
Intragovernmental Earned Revenue	(2)	(241)	(6,802)	–	(48)			(231)	(139)	(154)	(7,617)	(5,923)
Public Earned Revenue	–	(2)	(51)	–	–	–	–	(2)	(1)	(1)	(57)	(206)
Total Earned Revenue	(2)	(243)	(6,853)	–	(48)	–	–	(233)	(140)	(155)	(7,674)	(6,129)
Net Program Costs	**2,431**	**58,230**	**1,413,846**	**3,814**	**15,379**	**–**	**–**	**42,994**	**42,283**	**29,556**	**1,608,533**	**1,347,484**
Operating Unit Management												
Intragovernmental Costs	82,601	18,549	55,934	71,483	16,882	–	5,140	20,920	6,892	29,999	308,400	173,034
Public Costs	102,587	57,439	98,176	87,585	35,058	–	16,688	67,090	37,510	90,322	592,455	504,199
Total Program Costs	185,188	75,988	154,110	159,068	51,940	–	21,828	88,010	44,402	120,321	900,855	677,233
Intragovernmental Earned Revenue	(670)	(479)	(673)	(1,540)	(226)	–	(350)	(462)	(131)	(643)	(5,174)	(2,992)
Public Earned Revenue	(15)	–	(6)	(13)	(2)	–	(3)	(4)	(1)	(5)	(49)	(103)
Total Earned Revenue	(685)	(479)	(679)	(1,553)	(228)	–	(353)	(466)	(132)	(648)	(5,223)	(3,095)
Net Program Costs	**184,503**	**75,509**	**153,431**	**157,515**	**51,712**	**–**	**21,475**	**87,544**	**44,270**	**119,673**	**895,632**	**674,138**
Net Cost of Operations	**$ 1,883,700**	**$ 894,907**	**$ 1,897,857**	**$ 791,882**	**$ 585,822**	**$ 530,610**	**$82,926**	**$ 920,990**	**$ 1,472,155**	**$ 1,298,769**	**$ 10,359,618**	**$ 11,491,118**

NOTE 17. SUBORGANIZATION PROGRAM COSTS/PROGRAM COSTS BY SEGMENT

The Schedule of Costs by Responsibility Segment categorizes costs and revenues by Objectives, Program Areas and Responsibility Segment.

A responsibility segment is the component that carries out a mission or major line of activity, and whose managers report directly to top management. The geographic and technical bureaus of USAID (below) meet the criteria for responsibility segments. These bureaus directly support the Agency goals while the remaining bureaus and offices support the operations of these bureaus. To report the full cost of program outputs, the cost of support bureaus and offices are allocated to the outputs of the geographic and technical bureaus. Intra-agency eliminations are allocated to Program Areas to reflect total costs.

In the FY 2013 Consolidated Statement of Net Cost, major responsiblity segments are (i) the Geographic Bureaus and (ii) the Technical Bureaus. The six Geographic Bureaus are: Africa; Asia; Europe and Eurasia; Latin America and the Caribbean; the Middle East; and the Office of Afghanistan and Pakistan Affairs (OAPA). The four Technical Bureaus are Democracy, Conflict and Humanitarian Assistance (DCHA); Economic Growth, Education and the Environment (E3); Global Health; and Innovation and Development Alliances (IDEA).

Effective in FY 2013 the former Economic Growth, Agriculture and Trade (EGAT) Bureau was reclassified as E3, and in FY 2012 IDEA was added as a Technical Bureau.

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT

As of September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Consolidated Total	2012 Restated Total
Peace and Security												
Counterterrorism												
Gross Costs	$ 32,909	$ 316	$ 380	$ –	$ –	$ –	$ –	$ –	$ 4,410	$ –	$ 38,015	$ 21,021
Less: Earned Revenues	(103)	(2)	(1)	–	–	–	–	–	(6)	–	(112)	(61)
Net Program Costs	32,806	314	379	–	–	–	–	–	4,404	–	37,903	20,960
Combating Weapons of Mass Destruction (WMD)												
Gross Costs	–	–	166	–	28,508	–	–	–	–	–	28,674	31,346
Less: Earned Revenues	–	–	(1)	–	(276)	–	–	–	–	–	(277)	(295)
Net Program Costs	–	–	165	–	28,232	–	–	–	–	–	28,397	31,051
Stabilization Operations and Security Sector Reform												
Gross Costs	3,698	6,558	–	–	2,426	–	–	21,692	–	–	34,374	45,332
Less: Earned Revenues	(12)	(51)	–	–	(13)	–	–	(119)	–	–	(195)	(181)
Net Program Costs	3,686	6,507	–	–	2,413	–	–	21,573	–	–	34,179	45,151
Counternarcotics												
Gross Costs	–	7	–	–	1	–	–	131,461	–	44,078	175,547	225,731
Less: Earned Revenues	–	–	–	–	–	–	–	(668)	–	–	(668)	(896)
Net Program Costs	–	7	–	–	1	–	–	130,793	–	44,078	174,879	224,835
Transnational Crime												
Gross Costs	9	6,454	1,127	55	2,818	–	–	137	–	–	10,600	14,286
Less: Earned Revenues	–	(36)	(10)	–	(13)	–	–	–	–	–	(59)	(67)
Net Program Costs	9	6,418	1,117	55	2,805	–	–	137	–	–	10,541	14,219
Conflict Mitigation and Reconciliation												
Gross Costs	57,534	13,527	178,420	7,515	33,303	–	–	2,178	2,909	118,196	413,582	350,868
Less: Earned Revenues	(158)	(76)	(950)	(123)	(226)	–	–	(14)	–	(438)	(1,985)	(1,625)
Net Program Costs	57,376	13,451	177,470	7,392	33,077	–	–	2,164	2,909	117,758	411,597	349,243
Total Peace and Security	**93,877**	**26,697**	**179,131**	**7,447**	**66,528**	**–**	**–**	**154,667**	**7,313**	**161,836**	**697,496**	**685,459**

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SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

As of September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Consolidated Total	2012 Restated Total
Governing Justly and Democratically												
Rule of Law and Human Rights												
Gross Costs	12,610	30,995	3,195	182	44,483	–	812	148,314	39,533	470	280,594	244,673
Less: Earned Revenues	(40)	(183)	(76)	(1)	(239)	–	(15)	(92)	(235)	(205)	(1,086)	(1,086)
Net Program Costs	12,570	30,812	3,119	181	44,244	–	797	148,222	39,298	265	279,508	243,587
Good Governance												
Gross Costs	1,649	62,720	32,907	5,580	43,188	–	–	32,200	11,726	–	189,970	1,985,341
Less: Earned Revenues	(10)	–	(184)	(94)	(225)	–	–	–	(13)	–	(526)	(5,085)
Net Program Costs	1,639	62,720	32,723	5,486	42,963	–	–	32,200	11,713	–	189,444	1,980,256
Political Competition and Consensus-Building												
Gross Costs	55,697	19,614	10,839	938	25,643	–	–	6,419	34,342	845	154,337	198,193
Less: Earned Revenues	(213)	(120)	(256)	–	(156)	–	–	(30)	–	(190)	(965)	(1,115)
Net Program Costs	55,484	19,494	10,583	938	25,487	–	–	6,389	34,342	655	153,372	197,078
Civil Society												
Gross Costs	39,658	36,747	13,812	132	45,426	–	2,438	24,929	95,181	52,446	310,769	362,306
Less: Earned Revenues	(10)	(24)	(174)	(3)	(19)	–	(44)	–	(183)	(3)	(460)	(1,806)
Net Program Costs	39,648	36,723	13,638	129	45,407	–	2,394	24,929	94,998	52,443	310,309	360,500
Total Governing Justly and Democratically	**109,341**	**149,749**	**60,063**	**6,734**	**158,101**	**–**	**3,191**	**211,740**	**180,351**	**53,363**	**932,633**	**2,781,422**
Investing in People												
Health												
Gross Costs	461,707	94,949	14,760	17,975	33,161	534,298	10,379	57,935	163,676	135,058	1,523,898	2,080,603
Less: Earned Revenues	(10,293)	(2,088)	(97)	(205)	(289)	(3,689)	(187)	(1,063)	(558)	(352)	(18,821)	(528,682)
Net Program Costs	451,414	92,861	14,663	17,770	32,872	530,609	10,192	56,872	163,118	134,706	1,505,077	1,551,921
Education												
Gross Costs	262,879	89,858	13,355	77,415	6,814	–	–	57,920	130,618	108,864	747,723	680,467
Less: Earned Revenues	(840)	(585)	(80)	(1,530)	(24)	–	–	(224)	(456)	–	(3,739)	(78,464)
Net Program Costs	262,039	89,273	13,275	75,885	6,790	–	–	57,696	130,162	108,864	743,984	602,003
Social and Economic Services and Protection for Vulnerable Populations												
Gross Costs	25,208	8,159	61,482	–	4,352	1	–	49,241	437,210	52,469	638,122	290,314
Less: Earned Revenues	(76)	(54)	(480)	(6,344)	(28)	–	–	(260)	(1,172)	(12,465)	(20,879)	(12,007)
Net Program Costs	25,132	8,105	61,002	(6,344)	4,324	1	–	48,981	436,038	40,004	617,243	278,307
Total Investing in People	**738,585**	**190,239**	**88,940**	**87,311**	**43,986**	**530,610**	**10,192**	**163,549**	**729,318**	**283,574**	**2,866,304**	**2,432,231**
Economic Growth												
Macroeconomic Foundation for Growth												
Gross Costs	11,815	7,670	–	54,800	10,302	–	363	5,651	690,634	8,183	789,418	545,454
Less: Earned Revenues	(15)	(42)	–	(29,681)	(52)	–	–	(27)	(2,860)	(13)	(32,690)	(49,578)
Net Program Costs	11,800	7,628	–	25,119	10,250	–	363	5,624	687,774	8,170	756,728	495,876
Trade and Investment												
Gross Costs	35,534	15,416	–	15,995	14,602	–	2,181	19,773	20,090	38,108	161,699	148,168
Less: Earned Revenues	(160)	(79)	–	(271)	(93)	–	(39)	(109)	(69)	(129)	(949)	(737)
Net Program Costs	35,374	15,337	–	15,724	14,509	–	2,142	19,664	20,021	37,979	160,750	147,431
Financial Sector												
Gross Costs	7,753	7,522	–	311,848	12,607	–	4,585	4,559	15,475	5,396	369,745	581,012
Less: Earned Revenues	(29)	(49)	–	(241,373)	(70)	–	(82)	(33)	(52)	(21)	(241,709)	(245,933)
Net Program Costs	7,724	7,473	–	70,475	12,537	–	4,503	4,526	15,423	5,375	128,036	335,079
Infrastructure												
Gross Costs	128,014	17,376	–	11,982	110,498	–	5,751	51,160	81,760	371,774	778,315	783,912
Less: Earned Revenues	(15)	(82)	–	(216)	(356)	–	(102)	(171)	(64)	(2,062)	(3,068)	(3,083)
Net Program Costs	127,999	17,294	–	11,766	110,142	–	5,649	50,989	81,696	369,712	775,247	780,829

(continued on next page)

SCHEDULE OF COSTS BY RESPONSIBILITY SEGMENT *(continued)*

As of September 30, 2013 and 2012

(In Thousands)

Objective	Africa	Asia	DCHA	E3	Europe & Eurasia	Global Health	IDEA	Latin America & Caribbean	Middle East	OAPA	2013 Consolidated Total	2012 Restated Total
Agriculture												
Gross Costs	301,328	110,055	–	194,834	17,792	–	1,257	71,300	33,724	162,404	892,694	805,468
Less: Earned Revenues	(1,394)	(748)	–	(281)	(119)	–	(22)	(343)	(101)	(609)	(3,617)	(4,213)
Net Program Costs	299,934	109,307	–	194,553	17,673	–	1,235	70,957	33,623	161,795	889,077	801,255
Private Sector Competitiveness												
Gross Costs	37,210	45,749	716	10,166	65,909	–	1,378	32,657	104,023	79,348	377,156	348,585
Less: Earned Revenues	(108)	(247)	(8)	(132)	(321)	–	(25)	(169)	(299)	(412)	(1,721)	(1,496)
Net Program Costs	37,102	45,502	708	10,034	65,588	–	1,353	32,488	103,724	78,936	375,435	347,089
Economic Opportunity												
Gross Costs	24,686	4,359	–	36,145	10,731	–	33,415	11,186	24,561	31,378	176,461	186,923
Less: Earned Revenues	(100)	(30)	–	(638)	(61)	–	(592)	(57)	(522,372)	(175)	(524,025)	(786)
Net Program Costs	24,586	4,329	–	35,507	10,670	–	32,823	11,129	(497,811)	31,203	(347,564)	186,137
Environment												
Gross Costs	110,714	188,519	1,742	168,591	8,786	–	–	115,590	27,622	4,351	625,915	479,129
Less: Earned Revenues	(270)	(906)	(4)	(2,708)	(39)	–	–	(571)	(85)	(21)	(4,604)	(2,440)
Net Program Costs	110,444	187,613	1,738	165,883	8,747	–	–	115,019	27,537	4,330	621,311	476,689
Total Economic Growth	**654,963**	**394,483**	**2,446**	**529,061**	**250,116**	**–**	**48,068**	**310,396**	**471,987**	**697,500**	**3,359,020**	**3,570,384**
Humanitarian Assistance												
Protection, Assistance and Solutions												
Gross Costs	–	48,380	1,262,919	–	15,423	–	–	43,218	42,423	29,558	1,441,921	1,217,193
Less: Earned Revenues	–	(205)	(6,110)	–	(48)	–	–	(233)	(140)	(154)	(6,890)	(5,587)
Net Program Costs	–	48,175	1,256,809	–	15,375	–	–	42,985	42,283	29,404	1,435,031	1,211,606
Disaster Readiness												
Gross Costs	2,433	10,093	157,780	3,814	1	–	–	9	–	–	174,130	133,606
Less: Earned Revenues	(2)	(38)	(743)	–	–	–	–	–	–	–	(783)	(536)
Net Program Costs	2,431	10,055	157,037	3,814	1	–	–	9	–	–	173,347	133,070
Migration Management												
Gross Costs	–	–	–	–	3	–	–	–	–	153	156	2,814
Less: Earned Revenues	–	–	–	–	–	–	–	–	–	(1)	(1)	(6)
Net Program Costs	–	–	–	–	3	–	–	–	–	152	155	2,808
Total Humanitarian Assistance	**2,431**	**58,230**	**1,413,846**	**3,814**	**15,379**	**–**	**–**	**42,994**	**42,283**	**29,556**	**1,608,533**	**1,347,484**
Operating Unit Management												
Crosscutting Management and Staffing												
Gross Costs	1,069	242	–	–	783	–	–	211	–	1,304	3,609	9,162
Less: Earned Revenues	(14)	–	–	–	(4)	–	–	–	–	(11)	(29)	(60)
Net Program Costs	1,055	242	–	–	779	–	–	211	–	1,293	3,580	9,102
Program Design and Learning												
Gross Costs	37,428	11,613	7,345	36,301	5,098	–	9,848	9,537	17,362	39,904	174,436	104,958
Less: Earned Revenues	(153)	(71)	(44)	(296)	(29)	–	(175)	(67)	(64)	(233)	(1,132)	(561)
Net Program Costs	37,275	11,542	7,301	36,005	5,069	–	9,673	9,470	17,298	39,671	173,304	104,397
Administration and Oversight												
Gross Costs	246,691	64,133	146,765	122,766	46,059	–	11,980	28,361	23,673	32,382	722,810	563,113
Less: Earned Revenues	(518)	(408)	(635)	(1,256)	(195)	–	(178)	(398)	(68)	(406)	(4,062)	(2,474)
Net Program Costs	246,173	63,725	146,130	121,510	45,864	–	11,802	27,963	23,605	31,976	718,748	560,639
Total Operating Unit Management	**284,503**	**75,509**	**153,431**	**157,515**	**51,712**	**–**	**21,475**	**37,644**	**40,903**	**72,940**	**895,632**	**674,138**
Net Cost of Operations	**$ 1,883,700**	**$ 894,907**	**$ 1,897,857**	**$ 791,882**	**$ 585,822**	**$ 530,610**	**$82,926**	**$ 920,990**	**$ 1,472,155**	**$ 1,298,769**	**$ 10,359,618**	**$ 11,491,118**

NOTE 18. STATEMENT OF BUDGETARY RESOURCES

The Combined Statement of Budgetary Resources presents information about total budgetary resources available to USAID and the status of those resources, as of September 30, 2013 and 2012. USAID's total budgetary resources were $23.8 billion and $23.2 billion for the years ended September 30, 2013 and 2012, respectively.

A. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED:

APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED
(In Thousands)

	2013	2012 (Restated)
Category A, Direct	$ 1,607,893	$ 1,405,504
Category B, Direct	10,080,639	11,256,372
Category A, Reimbursable	39,356	42,406
Category B, Reimbursable	524,617	589,811
Total	$ 12,252,505	$ 13,294,093

B. BORROWING AUTHORITY, END OF PERIOD AND TERMS OF BORROWING AUTHORITY USED:

The Agency had $2.7 million in borrowing authority in FY 2013 and $0 in borrowing authority in FY 2012. Borrowing authority is indefinite and authorized under the Federal Credit Reform Act of 1990 (Title XIII, Subtitle B, P.L. 101-508). It is used to finance obligations during the current year, as needed.

C. PERMANENT INDEFINITE APPROPRIATIONS:

USAID has permanent indefinite appropriations relating to specific Federal Credit Reform Program and Liquidating appropriations. USAID is authorized permanent indefinite authority for Federal Credit Reform Program appropriations for subsidy reestimates and Federal Credit Reform Act of 1990. At year-end FY 2013, there is $1.9 billion in availability related to Federal Credit Reform Program and Liquidating appropriations.

D. LEGAL ARRANGEMENTS AFFECTING THE USE OF UNOBLIGATED BALANCES:

The "Consolidated Appropriations Act" signed into law as Public Law 112-74 provides USAID extended authority to obligate funds. USAID's appropriations have consistently provided essentially similar authority, now known as "7011/511" authority. Under this authority funds shall remain available for obligation for an extended period if such funds are obligated within their initial period of availability. Any subsequent recoveries (deobligations) of these funds become unobligated balances that are available for reprogramming by USAID (subject to OMB approval through the apportionment process).

E. UNPAID OBLIGATIONS:

Unpaid Obligations for the periods ended September 30, 2013 and 2012 were $18.6 billion and $18.3 billion, respectively.

F. DIFFERENCE BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT:

The reconciliation between the Statement of Budgetary Resources and the Budget of the U.S. Government (Budget) is presented below. This reconciliation is not as of September 30, 2013 because submission of the Budget for FY 2015, which presents the execution of the FY 2013 Budget, occurs after publication of these financial statements. The USAID Budget Appendix can be found on the OMB website (*http://www.whitehouse.gov/omb/budget*) and will be available in early February 2014.

DIFFERENCE BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

(In Thousands)

2013	Budgetary Resources	Obligations	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 23,247,701	$ 13,294,093	$ (923,914)	$ 10,700,013
Difference #1: Parent Activity Reported in U.S. Budget by USAID	8,230,939	6,315,809	–	6,425,900
Difference #2: Child Activity Reported in U.S. Budget by Child Agencies	(995,597)	(635,434)	–	(503,739)
Difference #3: Reported in the SBR but excluded from the U.S. Budget	1,111	–	–	(8,856)
Difference #4: Parent/Child Reporting Differences	(24,588)	(24,588)	–	–
Difference #5: Reporting Difference Between the SBR and U.S. Budget	(6,205)	(1,454)	–	202,199
Difference #6: Credit Financing and Suspense	–	–	–	–
Budget of the U.S. Government	$ 30,453,361	$ 18,948,426	$ (923,914)	$ 16,815,518

NOTE 19. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

USAID presents the Consolidated Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Combined Statement of Budgetary Resources. The Federal Financial Accounting Standard No. 7 requires "a reconciliation of proprietary and budgetary information in a way that helps users relate the two." The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting.

RECONCILIATION OF OBLIGATIONS INCURRED TO NET COST OF OPERATIONS

For the Years Ended September 30, 2013 and 2012

(In Thousands)

	2013	2012 (Restated)
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 12,252,505	$ 13,294,093
Spending Authority From Offsetting Collections (FY 2012 includes Change in Unfilled Customer Orders previously broken out in the SBR)	(1,524,943)	(1,021,625)
Change in Unfilled Customer Orders		
Downward Adjustments of Obligations	(639,888)	(472,020)
Offsetting Receipts	(381,293)	(923,914)
Net Obligations	9,706,381	10,876,534
Other Resources Used to Finance Activities	41,973	29,994
Resources Used to Finance Activities	9,748,354	10,906,528
Resources Used to Finance Items Not Part of Net Cost of Operations	1,038,657	1,029,033
Total Resources Used to Finance Net Cost of Operations	10,787,011	11,935,561
Components of the Net Cost of Operations:		
Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	(221,236)	(59,980)
Components of Net Cost of Operations That Will Not Require or Generate Resources	(206,157)	(384,463)
Net Cost of Operations	$ 10,359,618	$ 11,491,118

NOTE 20. RESTATEMENT OF FY 2012 PRINCIPAL FINANCIAL STATEMENTS (IN THOUSANDS)

The FY 2012 financial statements have been restated to reflect the correction of material misstatements related to advances, that arose because of incorrect interpretation of account balances and account relationships. Based on this misinterpretation, several adjustments were recorded in the general ledger. Other FY 2012 adjustments relating primarily to Fund Balance With Treasury and obligation status accounts were inadequately supported. In FY 2013, the erroneous and unsupported adjustments were reversed, and the financial statements restated. The effect of the restatement was:

Balance Sheet: Decrease Advances ($294.7 million) and Fund Balance with Treasury ($53.1 million); and Decrease to Unexpended Appropriations ($345.9 million).

Statement of Changes in Net Position: Decrease to Cumulative Results of Operations ($1.8 million).

Statement of Net Cost: Increase to Net Cost of Operations ($347.8 million).

Statement of Budgetary Resources: Marginal Increase to Outlays ($65.6 million Gross); and marginal Decrease to Unpaid Obligations, End of Year ($65.6 million Gross).

The following illustrative Schedule of Summary of Changes details the impact to the aforementioned statements:

SCHEDULE OF SUMMARY OF CHANGES

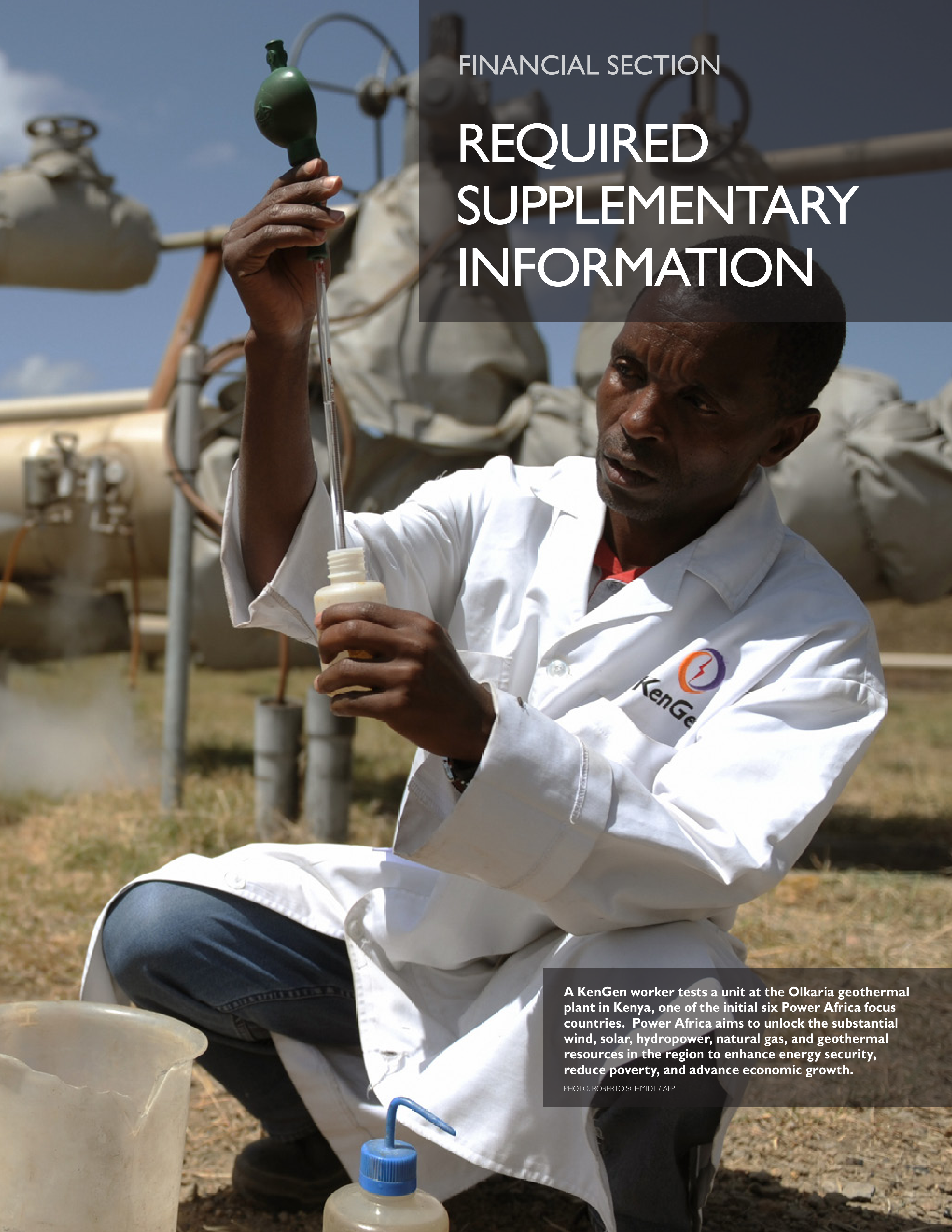
Pro Forma Balances As of September 30, 2012

(In Thousands)

	2012 As Stated	Effect: Increase/(Decrease)	2012 Restated
ASSETS:			
Fund Balance with Treasury	$ 28,999,266	$ (53,097)	$ 28,946,169
Advances	752,464	(294,657)	457,807
Total Change in Assets	**$ 29,751,730**	**$ (347,753)**	**$ 29,403,977**
NET POSITION:			
Unexpended Appropriations	21,631,982	(345,873)	21,286,109
Cumulative Results of Operations	3,102,471	(1,880)	3,100,591
Total Change in Net Position	**$ 24,734,453**	**$ (347,753)**	**$ 24,386,700**
Net Cost of Operations:	11,143,365	347,753	11,491,118
Total Change in Net Cost Operations	**$ 11,143,365**	**$ 347,753**	**$ 11,491,118**
Budgetary Resources:	–	–	–
Total Resources	**$ –**	**$ –**	**$ –**
Status of Budgetary Resources:	–	–	–
Total Budgetary Resources	**$ –**	**$ –**	**$ –**
Change in Obligated Balance:			
Outlays (Gross) (-)	(11,987,522)	(65,596)	(12,053,118)
Total Change in Obligated Balance	**$(11,987,522)**	**$ (65,596)**	**$(12,053,118)**
Obligated Balance, End of Year			
Unpaid Obligations, End of Year (Gross)	18,339,378	(65,596)	18,273,782
Total Change in Unpaid Obligations, End of Year	**$ 18,339,378**	**$ (65,596)**	**$ 18,273,782**

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION



A KenGen worker tests a unit at the Olkaria geothermal plant in Kenya, one of the initial six Power Africa focus countries. Power Africa aims to unlock the substantial wind, solar, hydropower, natural gas, and geothermal resources in the region to enhance energy security, reduce poverty, and advance economic growth.

PHOTO: ROBERTO SCHMIDT / AFP

STATEMENT OF BUDGETARY RESOURCES

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES

For the Year Ended September 30, 2013

(In Thousands)

	Recovery Act	Operating	Civilian Stabilization Initiative	Assistance for Europe, Eurasia and Central Asia	Assistance for Eastern Europe	Development Assistance	International Disaster Assistance	Economic Support Fund	Assistance for New Independent States	Child Survival	Credit Financing	Other	Parent Fund	Combined Total
	302	**1000**	**305**	**306**	**1010**	**1021**	**1035**	**1037**	**1093**	**1095**				
Budgetary Resources:														
Unobligated Balance Brought Forward, October 1	$ 8	$ 551,907	$ 5,850	$ 220,144	$ 5,492	$ 946,978	$ 139,029	$ 4,958,743	$ 14,048	$ 28,534	$ 1,878,293	$ 844,418	$ 360,164	$ 9,953,608
Adjustment to Unobligated Balance Brought Forward, October 1 (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Unobligated Balance Brought Forward, October 1, as Adjusted	8	551,907	5,850	220,144	5,492	946,978	139,029	4,958,743	14,048	28,534	1,878,293	844,418	360,164	9,953,608
Recoveries of Prior Year Unpaid Obligations	–	213,672	1,426	7,899	12,419	40,007	80,630	181,595	9,882	13,573	200	12,438	66,147	639,888
Other Changes in Unobligated Balance (+ or -)	(8)	(7,826)	–	(35,417)	33,123	(76,982)	123,414	(115,095)	(30,067)	(34,768)	–	(319,655)	188,364	(274,917)
Unobligated Balance from Prior Year Budget Authority, Net	–	757,753	7,276	192,626	51,034	910,003	343,073	5,025,243	(6,137)	7,339	1,878,493	537,201	614,675	10,318,579
Appropriations (Discretionary and Mandatory)	–	1,279,251	–	–	–	2,392,375	1,550,395	5,914,820	–	–	–	827,367	–	11,964,208
Borrowing Authority (Discretionary and Mandatory) (Note 11)	–	–	–	–	–	–	–	–	–	–	2,696	–	–	2,696
Contract Authority (Discretionary and Mandatory)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	–	34,303	3,465	300	546	311,339	467	(426,087)	–	–	185,173	1,189,200	226,237	1,524,943
Total Budgetary Resources	**$ –**	**$ 2,071,307**	**$ 10,741**	**$ 192,926**	**$ 51,580**	**$ 3,613,717**	**$ 1,893,935**	**$10,513,976**	**$ (6,137)**	**$ 7,339**	**$2,066,362**	**$2,553,768**	**$ 840,912**	**$23,810,426**
Status of Budgetary Resources:														
Obligations Incurred:	–	1,587,334	2,782	183,414	47,817	1,302,722	1,483,774	5,386,801	(14,851)	(31,113)	204,257	1,514,962	584,606	12,252,505
Unobligated Balance, End of Year:	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Apportioned	–	380,768	7,959	9,073	5,224	2,290,197	410,090	4,849,822	6,985	29,466	222,522	439,314	187,801	8,839,221
Unapportioned	–	103,205	–	439	(1,461)	20,798	71	277,353	1,729	8,986	1,639,583	599,492	68,505	2,718,700
Total Unobligated Balance, End of Year	–	483,973	7,959	9,512	3,764	2,310,995	410,161	5,127,175	8,713	38,452	1,862,105	1,038,806	256,306	11,557,921
Total Budgetary Resources	**$ –**	**$ 2,071,307**	**$ 10,741**	**$ 192,926**	**$ 51,580**	**$ 3,613,717**	**$ 1,893,935**	**$10,513,976**	**$ (6,137)**	**$ 7,339**	**$2,066,362**	**$2,553,768**	**$ 840,912**	**23,810,426**

(continued on next page)

REQUIRED SUPPLEMENTARY INFORMATION: COMBINING SCHEDULE OF BUDGETARY RESOURCES *(continued)*

For the Year Ended September 30, 2013

(In Thousands)

	Recovery Act 302	Operating 1000	Civilian Stabilization Initiative 305	Assistance for Europe, Eurasia and Central Asia 306	Assistance for Eastern Europe 1010	Development Assistance 1021	International Disaster Assistance 1035	Economic Support Fund 1037	Assistance for New Independent States 1093	Child Survival 1095	Credit Financing	Other	Parent Fund	Combined Total
Change in Obligated Balance:														
Unpaid Obligations, Brought Forward, October 1 (Gross)	$ –	$ 744,559	$ 3,226	$ 841,685	$ 21,602	$ 5,024,025	$ 1,041,258	$ 9,104,619	$ 34,827	$ 39,692	$ 1,300	$ 702,805	$ 779,780	$ 18,339,378
Adjustment to Unpaid Obligations, Start of Year (Net) (+ or -)	–	(144,257)	100	11,380	(64,221)	48,093	(34,392)	335,465	(62,334)	(11,733)	(704)	(142,993)	–	(65,596)
Obligations Incurred	–	1,587,334	2,782	183,414	47,817	1,302,722	1,483,774	5,386,801	(14,851)	(31,113)	204,257	1,514,962	584,606	12,252,505
Outlays (Gross) (-)	–	(1,395,445)	(3,217)	(480,313)	12,342	(2,331,810)	(1,087,990)	(4,300,253)	86,669	129,859	(200,786)	(1,174,371)	(571,723)	(11,317,038)
Actual Transfers, Unpaid Obligations (Net) (+ or -)	–	–	–	–	–	–	–	32,120	–	–	–	–	–	32,120
Recoveries of Prior Year Unpaid Obligations (-)	–	(213,672)	(1,426)	(7,899)	(12,419)	(40,007)	(80,630)	(181,595)	(9,882)	(13,573)	(200)	(12,438)	(66,147)	(639,888)
Unpaid Obligations, End of Year	–	578,519	1,465	548,267	5,121	4,003,023	1,322,020	10,377,157	34,429	113,132	3,867	887,965	726,516	18,601,481
Uncollected Payments:														
Uncollected Payments from Federal Sources, Brought Forward	–	(11,264)	–	–	(35)	38	(203)	–	(39)	(1,006)	35	(27,971)	–	(40,445)
Adjustment to Uncollected Payments, Federal Sources, Start of Year, (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Change in Uncollected Payments from Federal Sources (+ or -)	–	3,253	–	–	–	–	–	(2,156)	–	–	(35)	(27,997)	–	(26,935)
Actual Transfers, Uncollected Payments, Federal Sources (Net) (-)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Uncollected Payments, Federal Sources, End of Year (-)	–	(8,011)	–	–	(35)	38	(203)	(2,156)	(39)	(1,006)	–	(55,968)	–	(67,380)
Budget Authority and Outlays, Net:														
Budget Authority, Gross (Discretionary and Mandatory)	–	1,313,554	3,465	300	546	2,703,714	1,550,861	5,488,733	–	–	187,868	2,016,568	226,238	13,491,847
Actual Offsetting Collections (Discretionary and Mandatory) (-)	–	(37,557)	(3,465)	(300)	(546)	(466)	(467)	(35,009)	–	–	(185,137)	(1,153,323)	(5,152)	(1,421,422)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	–	3,254	–	–	–	–	–	(2,156)	–	–	(35)	(27,998)	–	(26,935)
Anticipated Offsetting Collections (Discretionary and Mandatory) (+ or -)	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Budget Authority, Net (Discretionary and Mandatory)	$ –	$ 1,279,251	$ –	$ –	$ –	$ 2,703,248	$ 1,550,394	$ 5,451,568	$ –	$ –	$ 2,695	$ 835,248	$ 221,086	$ 12,043,490
Outlays, Gross (Discretionary and Mandatory)	–	1,395,445	3,217	480,313	(12,342)	2,331,810	1,087,990	4,300,253	(86,669)	(129,859)	200,786	1,174,371	571,723	11,317,038
Actual Offsetting Collections (-) (Discretionary and Mandatory)	–	(37,557)	(3,465)	(300)	(546)	(466)	(467)	(35,009)	–	–	(185,137)	(1,153,323)	(5,152)	(1,421,422)
Outlays, Net (Discretionary and Mandatory)	–	1,357,888	(248)	480,013	(12,888)	2,331,344	1,087,523	4,265,244	86,669	(129,859)	15,649	21,048	566,571	9,895,616
Distributed Offsetting Receipts (-)	–	–	–	–	–	–	–	–	–	–	–	(381,293)	–	(381,293)
Agency Outlays, Net (Discretionary and Mandatory)	**$ –**	**$ 1,357,888**	**$ (248)**	**$ 480,013**	**$(12,888)**	**$ 2,331,344**	**$ 1,087,523**	**$ 4,265,244**	**$(86,669)**	**$ (129,859)**	**$ 15,649**	**$ (360,245)**	**$ 566,571**	**$ 9,514,323**

MAJOR FUNDS

Operating Funds

1000 Operating Expenses of USAID

Program Funds

1010 Special Assistance Initiative
1021 Development Assistance
1035 International Disaster Assistance
1037 Economic Support Fund
1093 Assistance for the N.I.S. of the Former Soviet Union
1095 Child Survival and Disease Programs Funds

CREDIT FINANCING FUNDS

4119 Israel Guarantee Financing Fund
4137 Direct Loan Financing Fund
4266 DCA Financing Fund
4343 MSED Guarantee Financing Fund
4344 UE Financing Fund
4491 Egypt Guarantee Financial Fund
4493 Loan Guarantees to Tunisia – Financing Account

CREDIT PROGRAM FUNDS

0301 Israel Program Fund
0304 Egypt Program Fund
0401 UE Program Fund
0409 Loan Guarantees to Tunisia Program Account
1264 DCA Program Fund
4103 Economic Assistance Loans – Liquidating Fund
4340 UE Guarantee Liquidating Fund
4341 MSED Direct Loan Liquidating Fund

OTHER FUNDS

Operating Funds

0300 Capital Investment Fund (CIF)
0302 Capital Investment Fund – Recovery Act
0306 Assistance for Europe, Eurasia, and Central Asia
0535 Acquisition and Maintenance of Buildings Abroad
1007 Operating Expenses of USAID Inspector General
1036 Foreign Service Retirement and Disability Fund
1099 Fines, Penalties and Forfeitures – N.O.E.
1435 Miscellaneous Interest Collections
3220 Miscellaneous Recoveries

OTHER FUNDS *(continued)*

Program Funds

0305 Civilian Stabilization Initiative
1012 Sahel Development Program
1014 Africa Development Assistance
1015 Complex Crisis Fund
1023 Food and Nutrition Development Assistance
1024 Population and Planning & Health Development Assistance
1025 Education and Human Resources, Development Assistance
1027 Transition Initiatives
1028 Global Fund to Fight HIV / AIDS
1029 Tsunami Relief and Reconstruction Fund
1033 HIV / AIDS Working Capital
1038 Central American Reconciliation Assistance
1040 Sub-Saharan Africa Disaster Assistance
1096 Latin America / Caribbean Disaster Recovery
1500 Demobilization and Transition Fund

Trust Funds

8342 Foreign National Employees Separation Liability Fund
8502 Technical Assistance – U.S. Dollars Advance from Foreign Governments
8824 Gifts and Donations

Revolving Funds

4175 Property Management Fund
4513 Working Capital Fund
4590 Acquisition of Property, Revolving Fund

ALLOCATIONS TO OTHER AGENCIES

1010 Special Assistance Initiatives
1021 Development Assistance
1035 International Disaster Assistance
1037 Economic Support Fund
1093 Assistance for the N.I.S. of the Former Soviet Union
1095 Child Survival and Disease Program Funds

ALLOCATIONS FROM OTHER AGENCIES

0113 Diplomatic and Consular Programs, State
1030 Global HIV / AIDS Initiative - Carryover
1031 Global Health and Child Survival
1121 Democracy Fund
1154 Andean Counterdrug Initiative (ACI)
2278 Commodity Credit Corporation
2750 Millennium Challenge Corporation

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