

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

Audit of USADF's Financial Statements for Fiscal Years 2022 and 2021

Audit Report 0-ADF-23-003-C
November 11, 2022





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: November 11, 2022

TO: USADF, President and Chief Executive Officer, Travis Adkins

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

SUBJECT: Audit of USADF's Financial Statements for Fiscal Years 2022 and 2021 (0-ADF-23-003-C)

Enclosed is the final report on the audit of USADF's financial statements for fiscal years 2022 and 2021. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Williams, Adley & Company-DC LLP (Williams Adley) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin 22-01, Audit Requirements for Federal Financial Statements.

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

The audit objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2022 and 2021 were presented fairly, in all material respects; (2) evaluate USADF's internal control over financial reporting; and (3) determine whether USADF complied with applicable laws and regulations, contracts and grant agreements. To answer the audit objectives, the audit firm assessed risk, considered internal controls and designed audit procedures relevant to USADF's fair presentation of its fiscal years 2022 and 2021 financial statements.

The audit firm concluded that USADF's financial statements for fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects and in accordance with U.S. generally accepted accounting principles. The audit firm did not identify any material weaknesses in internal control over financial reporting. The audit firm also found no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements.

In finalizing the report, the audit firm acknowledged USADF's informal response to the report. We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.



Independent Auditor's Report

Mr. Alvin Brown
Deputy Assistant Inspector General for Audit
Office of Inspector General
U.S. Agency for International Development

Mr. Travis Adkins
President and Chief Executive Officer
U.S. African Development Foundation

In our audits of the fiscal years 2022 and 2021 financial statements of U.S. African Development Foundation (USADF), we found:

- USADF's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed¹; and
- no reportable noncompliance for fiscal year 2022 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, and other information included with the financial statements²; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the USADF's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

² Other information consists of information included with the financial statements, other than the auditor's report.

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants/ Management Consultants

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Report on the Financial Statements

Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; Government Corporation Control Act (GCCA) (Pub. L. No. 79-248, codified at 31 U.S.C. Chapter 91); and the Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, we have audited USADF's financial statements. USADF's financial statements comprise the statement of financial position as of September 30, 2022, and 2021; the related statements of operations and changes in net position, and cash flows for the fiscal years then ended; and the related notes to the financial statements. In our opinion, USADF's financial statements present fairly, in all material respects, USADF's financial position as of September 30, 2022, and 2021, and its net cost of operations and changes in net position, and cash flows for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of USADF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

USADF management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing and presenting other information included in USADF's Annual Management Report and ensuring the consistency of that information with the audited financial statements; and (3) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Other Information

USADF's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements. Management is responsible for the other information included in USADF's Annual Management Report. The other information comprises the Section I, the Annual Assurance Statement and Message from the Chief Financial Officer (CFO) but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of USADF's financial statements, we considered USADF's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies³ or to express an opinion on the effectiveness of USADF's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to USADF's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

USADF management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of USADF's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered USADF's internal control relevant to the financial statement audit 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 USADF's internal control over financial reporting. Accordingly, we do not express an opinion on USADF's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

³ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

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

In connection with our audits of USADF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to USADF. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

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

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

Williams, Arley & Company, DC, LLP

Washington, District of Columbia
November 7, 2022

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2022 AND 2021
(In Dollars)

	2022	2021
Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 43,594,710	\$ 38,152,621
Total Intragovernmental	43,594,710	38,152,621
Other than Intragovernmental:		
Cash and Other Monetary Assets (Note 3)	8,246,287	9,077,821
Accounts Receivable, Net (Notes 4)	6,919	6,386
General Property, Plant, and Equipment, Net (Note 5)	286,001	415,386
Advances and Prepayments	1,828,143	2,118,299
Total Other than Intragovernmental	10,367,350	11,617,892
Total Assets	\$ 53,962,060	\$ 49,770,513
Liabilities:		
Intragovernmental:		
Accounts Payable	\$ 187,147	\$ 199,633
Advances from Others and Deferred Revenue	2,512,367	5,923,491
Other Liabilities (Note 7)	49,806	46,361
Total Intragovernmental	2,749,320	6,169,485
Other than Intragovernmental:		
Accounts Payable	1,280,572	512,539
Federal Employee Benefits Payable	310,774	315,122
Other Liabilities (Notes 7)	366,594	429,790
Total Other than Intragovernmental	1,957,940	1,257,451
Total Liabilities	\$ 4,707,260	\$ 7,426,936
Net Position:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 36,882,070	\$ 30,018,590
Total Unexpended Appropriations (Consolidated)	36,882,070	30,018,590
Cumulative Results of Operations - Funds from Other than Dedicated Collections	12,372,730	12,324,987
Total Cumulative Results of Operations (Consolidated)	12,372,730	12,324,987
Total Net Position	49,254,800	42,343,577
Total Liabilities and Net Position	\$ 53,962,060	\$ 49,770,513

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

	2022	2021
Revenue		
Appropriations Used	\$ 31,873,675	\$ 31,694,980
Other Revenue	3,611,124	3,642,303
Imputed Financing	251,337	253,019
Donations	4,438,012	5,900,264
Total Revenue	\$ 40,174,148	\$ 41,490,566
Expenses		
Grant Program	\$ 40,126,405	\$ 38,714,929
Total Expenses	\$ 40,126,405	\$ 38,714,929
Net Revenue (Loss)	\$ 47,743	\$ 2,775,637
Net Position		
Net of Revenue (Loss)	\$ 47,743	\$ 2,775,637
Increase/(Decrease) in Unexpended Appropriations, Net	6,863,480	(199,554)
Increase/(Decrease) in Net Position, Net	6,911,223	2,576,083
Net Position, Beginning Balance	42,343,577	39,767,494
Net Position, Ending Balance	\$ 49,254,800	\$ 42,343,577

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOW
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

	2022	2021
Cash Flows From Operating Activities:		
Net Revenue (Loss)	\$ 47,743	\$ 2,775,637
Adjustments Affecting Cash Flow:		
Depreciation Expense	\$ 129,385	\$ 129,384
Decrease/(Increase) in Other Assets	290,156	(848,377)
Decrease/(Increase) in Accounts Receivable	(533)	(613)
Increase/(Decrease) in Accounts Payable and Other Liabilities	(2,719,676)	(1,805,046)
Total Adjustments	(2,300,668)	(2,524,652)
Net Cash Provided/(Used) by Operating Activities	\$ (2,252,925)	\$ 250,985
Cash Flows From Financing Activities:		
Appropriations Received, Net	\$ 8,126,325	\$ 1,305,021
Rescissions and Cancellations	(1,262,845)	(1,504,575)
Net Cash Provided by Financing Activities	\$ 6,863,480	\$ (199,554)
Net Increase/(Decrease) in Fund Balance with Treasury	\$ 4,610,555	\$ 51,431
Fund Balance with Treasury and Funds Held Outside of Treasury, Beginning	47,230,442	47,179,011
Fund Balance with Treasury and Funds Held Outside of Treasury, Ending	\$ 51,840,997	\$ 47,230,442

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



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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The Foundation provides grants and program support to community groups and small enterprises that benefit under served and marginalized groups in Africa.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Foundation. The Statement of Financial Position presents the assets, liabilities, and net position of the agency. The Statement of Operations and Changes in Net Position presents the agency's operating results and displays the changes in the agency's equity accounts. The Statement of Cash Flows presents how changes in the agency's financial position and results affected its cash (Fund Balance with Treasury) and presents analysis of operating and financing activities.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of Foundation in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and the Foundation's accounting policies which are summarized in this note. These statements are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Foundation's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Foundation's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. The U.S. Treasury processes cash receipts and disbursements of appropriated funds. Fund Balances with Treasury are available to pay agency liabilities.

E. Funds Held Outside of Treasury

Funds held outside U.S. Treasury are maintained in accounts in each country with which the Foundation has a Strategic Partnership Agreement. Strategic Partner Governments deposit donations into these in-country accounts. In general, grants are funded equally with appropriated funds and donated funds (funds held outside U.S. Treasury). USADF controls all disbursements from these accounts. See Note 3 for a list of banks where the funds are maintained and where grant funds are processed. Funds held outside the Treasury are available to pay agency liabilities. 22 U.S. Code § 290h-4(a)(9) authorizes USADF to accept gifts or donations of services or of property (real, personal, or mixed), tangible or intangible, in furtherance of the purposes of the mission of the Foundation. Donations referenced on Statement of Operations and Changes in Net Position include both Funds Held Outside the Treasury (FHOT) and Fund Balance with Treasury (FBWT). Donated funds are restricted for grant purposes. Donations totaling \$4.4 million are composed of the following: African Governments \$3,163,835; Citibank, Helmsley Estate, NBAF Foundation, Herbalife, and private donations \$2,254,767; downward adjustments to foreign accounts due to currency fluctuations (\$980,320).

F. Foreign Currencies

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

G. Grant Accounting

The Foundation disburses funds to grantees to cover their projected expenses over a three-month period. Grantees report to the Foundation quarterly on the actual utilization of these funds. For purposes of these financial statements, the Foundation treats disbursements to grantees as advances. The total grant advance is thirty-two-point seven (32.4%) percent of the amount disbursed to the grantee during the quarter. To ensure timeliness in reporting grantee expenditures, the Foundation will use estimates to calculate the last quarter's grantee expenditures. In compliance with alternative methodology allowed by FASAB Technical Release 12 *Accrual Estimates for Grant Programs*, the estimates are calculated based on cash on hand (COH) from last quarter divided by the summation of COH from the quarter prior plus disbursements from the last quarter. The advance will be reversed in the following quarter's financial statements. Once a grant has closed (expired or cancelled) any excess disbursement is reclassified as an Accounts Receivable.

Advance and Prepayment Liability on September 30, 2022, includes balances from four Inter-agency agreements totaling \$2,512,367. The agreement with Millennium Challenge Corporation (MCC) is to implement the MCC Climate Resistance Agriculture (CRA) Small Grant Facility in Niger; the balance is \$1,617,294. The two agreements with USAID are to implement the upgrade energy program within the Power Africa initiative \$854,412 and Mandela Washington Fellowship Alumni \$40,661.

H. Accounts Receivable

Accounts receivable consists of amounts owed to the Foundation by other federal agencies and the public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

I. Property, Equipment, and Software

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major

alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The USADF's capitalization threshold is \$25,000 for individual purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

J. Advances and Prepaid Charges

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

K. Liabilities

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

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

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, deferred rent, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

L. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

M. Accrued and Actuarial Workers' Compensation

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

N. Retirement Plans

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

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the USADF matches any employee contribution up to an additional four percent of pay. For FERS participants, the USADF also contributes the employer's matching share of Social Security. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the USADF remits the employer's share of the required contribution.

The USADF recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the USADF for current period expense reporting. OPM also provides information regarding the full

cost of health and life insurance benefits. The USADF recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

O. Other Post-Employment Benefits

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

P. Use of Estimates

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

Q. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The USADF recognized imputed costs and financing sources in fiscal years 2022 and 2021 to the extent directed by accounting standards.

R. Reclassification

Certain fiscal year 2021 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

S. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2022, and 2021, were as follows:

	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 16,759,295	\$ 3,359,770
Unavailable	2,402,570	1,945,059
Obligated Balance Not Yet Disbursed	24,432,845	32,847,792
Total	\$ 43,594,710	\$ 38,152,621

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

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

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

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

NOTE 3. CASH AND OTHER MONETARY ASSETS

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

Cash and other monetary assets balances as of September 30, 2022 and 2021, consisted of totaled \$8,246,287 and \$9,077,821, respectively. The comparative balances are summarized below:

	2022	2021
EcoBank Benin	\$ 2,059,642	\$ 2,159,418
EcoBank Cote D'ivoire	1,290,701	1,797,890
EcoBank Guinea	19,105	19,105
EcoBank Kenya	125,946	126,129
Stanbic Bank of Kenya	299,982	272,655
EcoBank Malawi	224,134	256,621
EcoBank Mali	69,349	82,085
EcoBank Nigeria	1,000,000	802,972
Zenith Bank Nigeria	295,936	73,123
Sterling Bank Nigeria	350,091	370,459
I&M Bank Limited Rwanda	169	173
EcoBank Senegal	31,127	36,926
BNDE Bank Senegal	362,208	899,041
Stanbic Bank of Uganda	2,117,897	2,181,224
Total Funds Held Outside Treasury	\$ 8,246,287	\$ 9,077,821

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2022 and 2021, were as follows:

	2022	2021
Other than Intergovernmental		
Accounts Receivable	\$ 6,919	\$ 6,386
Total Accounts Receivable	\$ 6,919	\$ 6,386

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2022 and 2021.

NOTE 5. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of General Property, Plant and Equipment, Net as of September 30, 2022:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	\$ 966,037	\$ 934,445	\$ 31,592
Software	1,243,799	989,390	254,409
Total	\$ 2,209,836	\$ 1,923,835	\$ 286,001

Schedule of General Property, Plant and Equipment, Net as of September 30, 2021:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Furniture & Equipment	\$ 966,037	\$ 889,863	\$ 76,174
Software	1,243,799	904,587	339,212
Total	\$ 2,209,836	\$ 1,794,450	\$ 415,386

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2022, and 2021, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2022	2021
Unfunded Leave	\$ 303,361	\$ 308,051
Total Liabilities Not Covered by Budgetary Resources	\$ 303,361	\$ 308,051
Total Liabilities Covered by Budgetary Resources	4,403,899	7,118,885
Total Liabilities	\$ 4,707,260	\$ 7,426,936

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

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2022, were as follows:

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 12,576	\$ 12,576
Employer Contributions and Payroll Taxes Payable	37,230	37,230
Total Intragovernmental Other Liabilities	\$ 49,806	\$ 49,806
Other than Intragovernmental		
Accrued Funded Payroll and Leave	\$ 315,022	\$ 315,022
Other Liabilities w/Related Budgetary Obligations	51,572	51,572
Total Other than Intragovernmental Other Liabilities	\$ 366,594	\$ 366,594
Total Other Liabilities	\$ 416,400	\$ 416,400

Other liabilities account balances as of September 30, 2021, were as follows:

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 12,053	\$ 12,053
Employer Contributions and Payroll Taxes Payable	34,308	34,308
Total Intragovernmental Other Liabilities	\$ 46,361	\$ 46,361
Other than Intragovernmental		
Accrued Funded Payroll and Leave	\$ 318,030	\$ 318,030
Other Liabilities w/Related Budgetary Obligations	111,760	111,760
Total Other than Intragovernmental Other Liabilities	\$ 429,790	\$ 429,790
Total Other Liabilities	\$ 476,151	\$ 476,151

NOTE 8. LEASES

Operating Leases

The USADF occupies office space in Washington, DC under a lease agreement that is accounted for as an operating lease. A third amendment to the lease agreement was made in July 2015, commencing May 1, 2015, and expiring April 30, 2028, renewing and extending the term of the lease for ten years. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2022 and 2021 were \$903,290 and \$877,443, respectively. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Asset Category		Totals
	Building		Federal
2023	\$	925,875	\$ 925,875
2024		949,022	949,022
2025		972,747	972,747
2026		997,066	997,066
2027		1,021,993	1,021,993
Thereafter		604,767	604,767
Total Future Lease Payments	\$	5,471,470	\$ 5,471,470

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

The USADF records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated. There were no contingent liabilities as of September 30, 2022. According to the USADF's legal counsel, the likelihood of unfavorable outcomes for any legal actions and claims is remote. In the opinion of the USADF's management, the ultimate resolution of any proceedings, actions, and claims will not materially affect the financial position or results of operations of the USADF.

NOTE 10. INTER-ENTITY COSTS

The USADF recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The USADF recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2022 and 2021, respectively, inter-entity costs were as follows:

	2022	2021
Office of Personnel Management	\$ 251,337	\$ 253,019
Total Imputed Financing Sources	\$ 251,337	\$ 253,019

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2022, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ -	\$ 1,828,143	\$ 1,828,143
Unpaid Undelivered Orders	5,419	27,303,178	27,308,597
Total Undelivered Orders	\$ 5,419	\$ 29,131,321	\$ 29,136,740

As of September 30, 2021, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ -	\$ 2,118,299	\$ 2,118,299
Unpaid Undelivered Orders	92,454	37,471,515	37,563,969
Total Undelivered Orders	\$ 92,454	\$ 39,589,814	\$ 39,682,268

NOTE 12. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2022 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2023 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2023 Budget of the United States Government, with the "Actual" column completed for 2021, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 54	\$ 46	\$ 5	\$ 37
Spending Authority from Offsetting Collections	(2)	-	-	-
Unobligated Balance Not Available	(1)	-	-	-
Difference - Due to Rounding	-	(2)	1	-
Budget of the U.S. Government	\$ 51	\$ 44	\$ 6	\$ 37

NOTE 13. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

**RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2022
(In Dollars)**

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	\$ (736,721)	\$ 37,252,002	\$ 36,515,281
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(129,385)	(129,385)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	533	533
Other Assets	-	(290,156)	(290,156)
(Increase)/Decrease in Liabilities:			
Accounts Payable	12,486	(768,033)	(755,547)
Federal Employee Benefits Payable	-	4,348	4,348
Other Liabilities	3,407,677	63,196	3,470,873
Financing Sources:			
Imputed Cost	(251,337)	-	(251,337)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ 3,168,826	\$ (1,119,497)	\$ 2,049,329
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Donated Revenue	-	(4,438,012)	(4,438,012)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ -	\$ (4,438,012)	\$ (4,438,012)
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	-	(4,438,012)
Appropriated Receipts for Trust/Special Funds	-	4,438,012	4,438,012
Total Other Reconciling Items	\$ -	\$ 4,438,012	\$ -
Total Net Outlays (Calculated Total)	\$ 2,432,105	\$ 36,132,505	\$ 34,126,598
Budgetary Agency Outlays, Net (SBR 4210)			\$ 34,126,598

**RECONCILIATION OF NET COST TO NET OUTLAYS
BUDGET AND ACCRUAL RECONCILIATION
FOR THE YEARS ENDED SEPTEMBER 30, 2021
(In Dollars)**

	Intragovernmenta	Other than Intragovernmental	Total
Net Operating Cost (SNC)	\$ (567,513)	\$ 35,640,139	\$ 35,072,626
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(129,384)	(129,384)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	613	613
Other Assets	-	848,377	848,377
(Increase)/Decrease in Liabilities:			
Accounts Payable	(199,633)	(444,906)	(644,539)
Federal Employee Benefits Payable	-	11,390	11,390
Other Liabilities	2,343,779	94,415	2,438,194
Financing Sources:			
Imputed Cost	(253,019)	-	(253,019)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ 1,891,127	\$ 380,505	\$ 2,271,632
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Financing Sources:			
Donated Revenue	-	(5,900,264)	(5,900,264)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ -	\$ (5,900,264)	\$ (5,900,264)
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	-	(5,900,264)
Appropriated Receipts for Trust/Special Funds	-	5,900,264	5,900,264
Total Other Reconciling Items	\$ -	\$ 5,900,264	\$ -
Total Net Outlays (Calculated Total)	\$ 1,323,614	\$ 36,020,644	\$ 31,443,994
Budgetary Agency Outlays, Net (SBR 4210)			
Budgetary Agency Outlays, Net			\$ 31,443,994