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

Audit of USADF's Financial Statements for Fiscal Years 2024 and 2023

Audit Report 0-ADF-25-003-C
November 15, 2024

Office of Audits, Inspections, and Evaluations

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

MEMORANDUM

DATE: November 15, 2024

TO: Travis Adkins, President and Chief Executive Officer, United States African Development Foundation

FROM: Paul K. Martin, Inspector General PaulKMA

SUBJECT: Audit of USADF's Financial Statements for Fiscal Years 2024 and 2023 (0-ADF-25-003-C)

Enclosed is the final audit report on the audit of United States African Development Foundation's (USADF's) financial statements for fiscal years 2024 and 2023. 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 24-02, 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. That said, we found no instances in which Williams Adley did not comply, in all material respects, with applicable standards.

The audit objectives were to (1) express an opinion on whether USADF's financial statements as of September 30, 2024, and September 30, 2023, 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, 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 2024 and 2023 financial statements.

The audit firm concluded that USADF's financial statements for the fiscal years ending September 30, 2024, and September 30, 2023, were presented fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America. Further, the audit firm found no reportable noncompliance with applicable laws, regulations, contracts, and grant agreements. The audit firm did not identify any material weaknesses in internal control over financial reporting but reported deficiencies in the internal controls over the Funds Held Outside of Treasury process. We collectively identified these deficiencies as a reportable significant deficiency.[1]

To address the internal control deficiencies identified in the fiscal year 2024 report, we recommend that USADF Department of Financial Management and Finance and Chief Financial Officer:[2]

Recommendation 1. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the timeliness of the monthly reconciliations.

Recommendation 2. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to revalue account balances monthly with or without bank statements and record the adjustments as needed.

Recommendation 3. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to maximize the use of electronic records and bank access.

Recommendation 4. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to implement timelines that most align with the financial statement requirements and an adequate review of recorded balances versus what was sent to be recorded.

Recommendation 5. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to address inactive accounts and close accounts as necessary.

Recommendation 6. Revisit the current policy and procedures related to the recording of financial transactions and reconciliation of bank accounts for the Funds Held Outside of Treasury accounts and make the appropriate changes to ensure that the trial balance and financial statements reflect the true course of events that occurred in their appropriate period.

In finalizing the report, the audit firm evaluated USADF's response to the recommendations. After reviewing that evaluation, we consider recommendations 1, 2, and 4 closed and recommendations 3, 5, and 6 resolved but open pending completion of planned activities. For recommendations 3, 5, and 6, please provide evidence of final action to OIGAuditTracking@oig.usaid.gov.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.

[1] In addition to this significant deficiency, another deficiency was identified that the audit firm did not consider to be a material weakness or a significant deficiency. Nonetheless, as this deficiency warrants USADF management's attention, the audit firm separately communicated this matter to USADF management and did not report on it here.

[2] The audit firm reported two recommendations to address deficiencies in the internal controls over USADF's Funds Held Outside of Treasury process. The first recommendation had five components for corrective action. For purposes of this report, we are tracking the five components as five separate recommendations. As a result, we are presenting a total of six recommendations for this report.

USAID Office of Inspector General
Washington, DC,
oig.usaid.gov

WILLIAMS ADLEY

Independent Auditor's Report

President and Chief Executive Officer
U.S. African Development Foundation

Office of the Inspector General
U.S. Agency for International Development

In our audits of the fiscal years 2024 and 2023 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, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed[1]; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes other information included with the financial statements[2]; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

<u>Opinion</u>
In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, we have audited USADF's financial statements. USADF's financial statements comprise the statements of financial position as of September 30, 2024, and 2023; the related

[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 financial statement and the auditor's report.

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, 2024, and 2023, and its net cost of operations and changes in net position, and budgetary resources 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

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;
- 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
- 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 (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) 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 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 Section I, Statement of Assurance, and the Message of 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 deficiencies[3] or to express an opinion on the effectiveness of USADF's internal control over financial reporting. Given these limitations, during our FY 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material

[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.

weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

As discussed in more detail in *Appendix 1*, our 2024 audit identified deficiencies in the internal controls over the Funds Held Outside of Treasury process that collectively represents a significant deficiency in ADF's internal control over financial reporting. We considered this significant deficiency in determining the nature, timing, and extent of our audit procedures on ADF's fiscal year 2024 financial statements. Although, the significant deficiency in internal control did not affect our opinion on ADF's fiscal year 2024 financial statements, misstatements may occur in unaudited financial information reported internally and externally by ADF because of this significant deficiency.

In addition to the significant deficiency noted above, during our 2024 audit, we identified another deficiency, that we do not consider to be a material weakness or a significant deficiency. Nonetheless, this deficiency warrants USADF management's attention. We have communicated this matter to USADF management, separately.

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 and Office of Management and Budget audit guidance[4].

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, 2024, in accordance with U.S. generally accepted government auditing standards, we considered USADF's internal control relevant to the financial statements 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.

[4] Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, issued on July 29, 2024. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

Definition and Inherent Limitations of Internal Control over Financial Reporting

USADF'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:

- 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
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

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 2024 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.

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 provisions of 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.

Agency Comments

In commenting on a draft of this report, USADF management provided a written response which is presented in *Appendix II*. We did not audit USADF's response and, accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 13, 2024

Appendix I – Current Year Findings and Recommendations

Significant Deficiency – Improvements needed over the recording of Funds Held Outside of Treasury (FHOT) related transactions

Condition

USADF did not record some financial activities within FHOT in a timely manner and/or in the correct accounting period. During our testing of USADF FHOT balances during the year, we noticed a gap between when the transactions occurred and the dates recorded in the agency's system of record (Oracle).

Bank Reconciliation

USADF's current processes for the reconciliation of its FHOT accounts begins when it receives its monthly bank statements. USADF records FHOT bank transactions in both local currency, and in United States Dollar (USD), for the banks that do not hold the funds in USD, using the currency broker website OANDA and looks up the exchange rate on the date of the statement. One of the transactions recorded is the Foreign Currency Adjustment which is the difference between the dollar value of the opening balance after transactions are calculated, and the dollar value of the closing balance. After USADF performs the individual bank reconciliations, the reconciliations are provided to the Bureau of Fiscal Services (BFS) to be recorded in Oracle. Cash receipts and disbursements are not recorded prior to this reconciliation.

During our interim testing of FHOT as of June 30, 2024, for the account at the United Bank for Africa, Nigeria, we noted the balance was incorrectly stated as $440,034 in Oracle instead of $225,981 (a difference of $214,053). We noted that the current exchange rate had not been applied to the balance by USADF. Per further inspection, it was noted that the USADF did not receive the statements for this bank on time to make the proper adjustments due to the exchange rate.

Because of the time gap between the end of the month and when USADF receives bank statements, there are delays in bank reconciliations and the recognition of receipts and disbursements by USADF.

Record of Donations

USADF currently has no proactive method for recording FHOT activity including donations from partner countries. Instead, donations and cash disbursements are recorded when reconciling accounts after receiving the bank statement.

From a sample of ten donations received between October 2023 through June 30, 2024, five donations, all from partner countries, were recorded untimely. Three donations were entered into Oracle approximately one month after the deposit date, one two months after, and the fifth deposit three months after the donation's deposit date. These five samples accounted for $1,653,399 of donated revenue.

Document Number	Amount	Deposit Date	Entered Date	Number of Calendar Days
ADFJUN2424BEN	$746,013	5/17/2024	6/17/2024	31

ADFJUN2424UGA	$241,248	5/17/2024	6/20/2024	34
ADFMAR2424UGA	$200,000	12/8/2023	3/21/2024	104
ADFMAY2424UGA	$228,443	3/5/2024	5/13/2024	69
ADFNOV2324UGA	$237,695	10/26/2023	11/28/2023	33

In addition, we tested all donation revenue transactions (total of four transactions for the sum of $331,820) recorded in Oracle from July 1 to September 30, 2024, and noted one donation for $25,000 in which there was a two-month gap between when the provided check was written (June 25) and when the donation was recorded in Oracle (September 4).

<u>Cause</u>
USADF encountered difficulties in receiving its statements from some banks. Since USADF uses the monthly bank statements to record monthly receipts and disbursement activities that occur in the FHOT bank accounts any delays in receiving the bank statements could impact the recording of transactions.

It was noted that the bank statements are generally received by USADF ten to twenty days after the end of the month, thereby delaying the recording of donations and expenditures into the next month.

Also, one account at the United Bank for Africa, Nigeria became inactive during the year which resulted in USADF not receiving any bank statements from November 2023 until July 2024. As such, no bank reconciliation was performed, and no adjustments were made for the currency exchange until the June statement was received in July 2024. USADF currently does not have any procedures to routinely assess whether an account should remain open or not.

<u>Effect</u>
Failure to record the transactions timely and align them with the appropriate reporting period could materially impact USADF’s financial statements.

<u>Criteria</u>
Standards for Internal Control in the Federal Government, (GAO-14-704G, “Green Book”), pg. 48, paragraph 10.03:

> Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

USADF Internal Procedure:

> On the second Friday of every month, USADF must send the monthly bank log, bank statements, a screenshot from currency broker website OANDA to demonstrate the current exchange rate (as applicable), and a host government report, to ARC with a 30-day lag.

GAO-14-704G, “Green Book”, pg. 59, paragraph 13.04:

> 13.04 Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. Sources of data can be operational, financial, or compliance related. Management obtains data on a timely basis so that they can be used for effective monitoring.

Treasury Financial Manual, I TFM 2-3400, Section 3445:

> Each entity must do the following:
>
> - Reconcile all transactions involving cash and investments held outside of the U.S. Treasury on a periodic basis, but no less frequently than monthly

Statement of Federal Financial Accounting Standards 7: Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting (SFFAS 7), Section 62:

> Donations are contributions to the government, i.e., voluntary gifts of resources to a government entity by a nonfederal entity. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. Revenue arising from donations should be recognized for those inflows of resources that meet recognition criteria for assets and should be measured at the estimated fair value of the contribution.

<u>Recommendations</u>

We recommend that USADF management:

1. Reassess the reconciliation process for ways to improve the process to
    a. Improve the timeliness of the monthly reconciliations
    b. Revalue account balances monthly with or without bank statements, and record the adjustments as needed
    c. Maximize the use of electronic records and bank access
    d. Implement timelines that most align with the financial statement requirements and an adequate review of recorded balances versus what was sent to be recorded
    e. Address inactive accounts and close accounts as necessary
2. Revisit the current policy and procedures related to the recording of financial transactions and reconciliation of bank accounts, including FHOT accounts, and make the appropriate changes to ensure that the trial balance and financial statements reflect the true course of events that occurred in their appropriate period.

Appendix II – Management Response

November 12, 2024

USADF Management Response to Draft Report 0-ADF-25-003-C

November 07, 2024

We appreciate the independent auditor's identification of these issues. We concur with all the recommendations to improve the monthly reconciliations, timely revaluation of bank account balances, online access to bank accounts, and closing of inactive bank accounts. USADF is committed to maintaining high financial reporting standards and compliance with accounting principles.

Recommendation 1. Reassess the Funds Held Outside of the Treasury reconciliation process for ways to improve the timeliness of the monthly reconciliations.

Management Response: USADF has already implemented this recommendation. The October 2024 reconciliation is being done using this recommendation. All accounts are reconciled with all bank statements on hand. Prior to this recommendation, USADF was only reconciling bank accounts for which there were bank statements for the month being reconciled per GAO-14-704G, "Green Book," pg. 59, paragraph 13.04.

However, using the independent auditor, Williams Adley's recommendation 2, starting with the October 2024 reconciliation, which is due to the Bureau of Fiscal Services (BFS) on November 15, 2024, USADF conducted the reconciliations of all accounts with bank statements on hand regardless of whether the bank statements are not for the month being reconciled.

Recommendation 2. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to revalue account balances monthly with or without bank statements and record the adjustments as needed.

Management Response: Following USADF's internal control policy, USADF sends monthly reconciliations to BFS on the 15th of the month. In concurrence with recommendation 2, USADF started on November 12, 2024, reconciling all accounts and revaluing all account balances based on the bank statement on hand, not necessarily with the bank statements of the month being reconciled per GAO-14-704G, "Green Book," pg. 59, paragraph 13.04.

<u>Recommendation 3</u>. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to maximize the use of electronic records and bank access.

<u>Management Response</u>: By June 30, 2025, USADF will have online access to all bank accounts where feasible. In the event USADF cannot establish online access because the banking institution's capabilities are limited, a reliable process will be in place to receive bank statements on a regular basis in a timely manner to meet the reconciliation timetable of reconciling all bank accounts by the end of the month with 30 day-lag.

<u>Recommendation 4</u>. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to implement timelines that most align with the financial statement requirements and an adequate review of recorded balances versus what was sent to be recorded.

<u>Management Response</u>: USADF implemented the following processes to improve the FHOT reconciliation process to align the review of the recording of transactions and the review of the recorded balances:

1. *USADF scheduled biweekly meetings with BFS to monitor and address discrepancies with the FHOT reconciliations, recordings, and balance revaluation on an ongoing basis. The first meeting will occur on November 18, 2024.*
2. *As of November 18, 2024, USADF will revise internal processes for FHOT reconciliation and recording:*

(i)<u>Disbursements</u>:

USADF will not process any FHOT disbursements after the 25th of the month, thus giving USADF the last couple of days to send the recording to BPD.

<u>(ii) Deposits:</u> -

(a) Check Deposits:

** USADF created a log to catalog all checks received from donors with the receipt date and date sent to BFS for recording.*

** To expedite the recording, USADF will email a scanned copy of the check to BFS to record the deposit.*

(b)Confirmed Electronic Deposits:

USADF will continue to validate the deposits in the bank accounts per its internal policy. However, a timeline has been incorporated into the internal control process to require that USADF sends the deposit paperwork to BFS within five business days of the validation.

<u>Recommendation 5</u>. Reassess the Funds Held Outside of Treasury reconciliation process for ways to improve the process to address inactive accounts and close accounts as necessary.

<u>Management Response</u>:

1. *By the June 30, 2025, USADF will close all inactive bank accounts whenever feasible if USADF can transfer the closing balances to its clearance accounts.*
2. *By December 30, 2024, USADF will revise its internal control policy on FHOT to include the following*

(a) *to close all inactive or expired partnership accounts within six months.*

(b) *USADF will evaluate and assess quarterly the status of all bank accounts and partnerships.*

<u>Recommendation 6</u>. Revisit the current policy and procedures related to the recording of financial transactions and reconciliation of bank accounts for the Funds Held Outside of Treasury accounts and make the appropriate changes to ensure that the trial balance and financial statements reflect the true course of events that occurred in their appropriate period.

<u>Management Response</u>: USADF will revise the internal control policy on FHOT by December 31, 2024, to stipulate (a) that all recordings and disbursements be provided to BFS by the end of the month. (b) USADF and BFS will monitor all the financial recordings (Revenue, cash, adjustments, and disbursements) biweekly during the BFS-USADF meetings on the FHOT process.

Management will provide quarterly updates to track progress on the plan's implementation and assess the measures' effectiveness.

Mathieu Zahui /s/

CFO

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2024 AND 2023
(In Dollars)

		2024		2023
Assets				
Intragovernmental Assets				
Fund Balance with Treasury (Note 2)	$	65,361,373	$	56,378,262
Advances and Prepayments		3,280		-
Total Intragovernmental Assets		65,364,653		56,378,262
Other than Intragovernmental Assets				
Cash and Other Monetary Assets (Note 3)		9,337,297		9,725,511
Accounts Receivable, Net (Note 4)		-		2,319
Property, Plant, and Equipment, Net (Note 5)		7,782,008		312,515
Advances and Prepayments		5,291,296		1,596,306
Total Other than Intragovernmental Assets		22,410,601		11,636,651
Total Assets	**$**	**87,775,254**	**$**	**68,014,913**
Liabilities (Note 6)				
Intragovernmental Liabilities				
Accounts Payable	$	403,022	$	241,180
Advances from Others and Deferred Revenue		2,592,114		3,103,125
Other Liabilities (Note 7)		63,802		50,874
Total Intragovernmental Liabilities		3,058,938		3,395,179
Other than Intragovernmental Liabilities				
Accounts Payable		920,323		511,573
Federal Employee Salary, Leave, and Benefits Payable		717,802		634,910
Other Liabilities (Note 7)		7,557,184		-
Total Other than Intragovernmental Liabilities		9,195,309		1,146,483
Total Liabilities	**$**	**12,254,247**	**$**	**4,541,662**
Net Position				
Unexpended Appropriations				
Funds from Other than Dedicated Collections	$	63,846,078	$	50,354,390
Total Unexpended Appropriations (Consolidated)		63,846,078		50,354,390
Cumulative Results of Operations				
Funds from Other than Dedicated Collections		11,674,929		13,118,861
Total Cumulative Results of Operations (Consolidated)		11,674,929		13,118,861
Total Net Position	**$**	**75,521,007**	**$**	**63,473,251**
Total Liabilities and Net Position	**$**	**87,775,254**	**$**	**68,014,913**

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Revenue:		
Appropriations Used	$ 30,095,599	$ 30,597,690
Other Revenue	511,011	1,665,242
Imputed Financing (Note 10)	411,129	325,598
Revenue to be Transferred	(194)	(27,244)
Collections for Others	194	27,244
Donations	2,120,951	6,066,422
Total Revenue	**$ 33,138,690**	**$ 38,654,952**
Expenses:		
Grant Program	$ 34,582,622	$ 37,908,821
Total Expenses	**$ 34,582,622**	**$ 37,908,821**
Net Revenue (Loss)	$ (1,443,932)	$ 746,131
Net Position:		
Net Revenue (Loss)	$ (1,443,932)	$ 746,131
Increase/(Decrease) in Unexpended Appropriations, Net	13,491,688	13,472,320
Increase/(Decrease) in Net Position, Net	12,047,756	14,218,451
Net Position, Beginning Balance	63,473,251	49,254,800
Net Position, Ending Balance	**$ 75,521,007**	**$ 63,473,251**

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

		2024		2023
Cash Flows From Operating Actvities:				
Net Revenue (Loss)	$	(1,443,932)	$	746,131
Adjustments Affecting Cash Flow:				
Depreciation Expense	$	120,835	$	113,302
Amortization Expense		850,354		-
Decrease/(Increase) in Other Assets		(3,698,272)		231,837
Decrease/(Increase) in Accounts Receivable		2,319		4,600
Decrease/(Increase) in Lessee Right-to-Use Lease Asset		(8,149,224)		-
Increase/(Decrease) in Lease Liability		8,149,224		-
Increase/(Decrease) in Accounts Payable and Other Liabilities		183,765		(165,599)
Total Adjustments		(2,540,999)		184,140
Net Cash Provided / (Used) by Operating Activities	**$**	**(3,984,931)**	**$**	**930,271**
Cash Flows From Investing Activities:				
Purchase of Property, Equipment, and Software	$	(291,458)	$	(139,815)
Net Cash Provided/(Used) by Investing Activities	**$**	**(291,458)**	**$**	**(139,815)**
Cash Flows From Financing Activities:				
Appropriations Received, Net	$	14,904,401	$	14,402,310
Rescissions and Cancellations		(1,412,713)		(929,990)
Payments on Lease Liabilities		(620,402)		-
Net Cash Provided by Financing Activities	**$**	**12,871,286**	**$**	**13,472,320**
Net Increase/(Decrease) in Fund Balance With Treasury	$	8,594,897	$	14,262,776
Fund Balance with Treasury and Funds Held Outside of Treasury, Beginning		66,103,773		51,840,997
Fund Balance with Treasury and Funds Held Outside of Treasury, Ending	**$**	**74,698,670**	**$**	**66,103,773**

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

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 the USADF 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 USADF's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the USADF'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. Starting in fiscal year 2024, Federal reporting entities are required by SFFAS 54 - Leases to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

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 an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the USADF's funds with Treasury in expenditure, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

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 $2.1 million are composed of the following: African Governments $2,282,898; private donations from Citibank and NBPA Foundation totaling $200,000 and $25,000, respectively; downward adjustments to foreign accounts due to currency fluctuations ($386,947).

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 seventy-five-point five (75.5%) 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, 2024, includes balances from four Inter-Agency agreements totaling $2,592,114. The agreement with Millennium Challenge Corporation (MCC) is to implement the MCC Climate Resistance Agriculture (CRA) Small Grant Facility in Niger; the balance is $310,106. The agreements with United States Agency for International Development (USAID) are to implement an upgrade energy program within the Power Africa initiative and launch an Off-Grid Energy Challenge; the balances are $479,711 and $1,000,000, respectively. The agreement with Department of State, Bureau of African Affairs (DOS-BAF) is to facilitate the African Women's Entrepreneurship Program – Reimagined; the balance is $802,297.

H. Accounts Receivable

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

I. Property, Equipment, RTU lease 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. RTU lease comprises of Headquarters lease which is capitalized as per SFFAS-54. The useful life classifications for capitalized assets are as follows:

Description	Useful Life (years)
Vehicles	5
Leasehold Improvements	5
Office Furniture	5
Computer Equipment	5
Office Equipment	5
Software	5
RTU lease	10

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. 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 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, lease liability (see Note 8) 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.

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

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. Reclassification

Certain fiscal year 2023 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

R. 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, 2024, and 2023, were as follows:

		2024		2023
Status of Fund Balance with Treasury:				
Unobligated Balance				
Available	$	5,449,778	$	11,709,552
Unavailable		4,174,395		4,459,309
Obligated Balance Not Yet Disbursed		55,737,200		40,209,401
Total Fund Balance with Treasury	**$**	**65,361,373**	**$**	**56,378,262**

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

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

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

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

NOTE 3. CASH AND OTHER MONETARY ASSETS

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

Cash and other monetary assets balances as of as of September 30, 2024, and 2023, consisted of totaled $9,337,297 and $9,725,511, respectively. The comparative balances are summarized below:

	2024	2023
EcoBank Benin	$ 2,637,061	$ 2,371,484
EcoBank Cote D'ivoire	809,365	1,167,416
EcoBank Guinea	19,105	2,361
EcoBank Kenya	125,575	125,731
Stanbic Bank of Kenya	477,079	279,535
EcoBank Mali	73,212	46,346
EcoBank Malawi	396,070	549,361
Zenith Bank Nigeria	127,839	294,571
EcoBank Nigeria	1,145,471	1,066,674
Sterling Bank Nigeria	79,680	182,417
I&M Bank Limited Rwanda	169	-
EcoBank Senegal	34,200	30,674
BNDE Bank Senegal	399,657	393,967
Stanbic Bank of Uganda	2,794,312	2,262,374
EcoBank Zimbabwe	3	499,880
United Bank for Africa, Nigeria	218,499	452,720
Total Funds Held Outside Treasury	**$ 9,337,297**	**$ 9,725,511**

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2024, and 2023, were as follows:

	2024	2023
Other than Intragovernmental Accounts Receivable	$ -	$ 2,319
Total Accounts Receivable	**$ -**	**$ 2,319**

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT, NET

Starting in fiscal year 2024, Federal reporting entities are required to report a right-to-use lease asset and a lease liability for non-intragovernmental, non-short-term contracts or agreements, when the entity has the right to obtain and control access to economic benefits or services from an underlying property, plant, or equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement.

Schedule of Property, Plant, and Equipment, Net as of September 30, 2024, and 2023:

		Acquisition Cost		Accumulated Depreciation and Amortization		Net Book Value
2024						
Furniture and Equipment	$	1,262,307	$	956,650	$	305,657
Software		1,243,799		1,158,996		84,803
Software-in-Development		92,678		-		92,678
Lessee Right-To-Use Lease Asset		8,149,224		850,354		7,298,870
Total	**$**	**10,748,008**	**$**	**2,966,000**	**$**	**7,782,008**
2023						
Furniture and Equipment	$	1,063,527	$	920,618	$	142,909
Software		1,243,799		1,074,193		169,606
Total	**$**	**2,307,326**	**$**	**1,994,811**	**$**	**312,515**

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2024 and 2023, 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.

		2024		2023
Unfunded Leave	$	341,218	$	293,953
Unfunded Lessee Lease Liability		7,284,407		-
Total Liabilities Not Covered by Budgetary Resources	$	7,625,625	$	293,953
Total Liabilities Covered by Bugetary Resources		4,628,622		4,247,709
Total Liabilities	**$**	**12,254,247**	**$**	**4,541,662**

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.
Please see Notes 8 for additional information on lease liability.

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2024, and 2023, were as follows:

		Current		Non-Current		Total
2024						
Intragovernmental:						
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	15,139	$	-	$	15,139
Employer Contributions and Payroll Taxes Payable		48,663		-		48,663
Total Intragovernmental	$	63,802	$	-	$	63,802
Other than Intragovernmental:						
Lessee Lease Liability	$	244,414		-	$	244,414
Unfunded Lessee Lease Liability		641,215	$	6,643,192		7,284,407
Other Liabilities w/Related Budgetary Obligations		28,363		-		28,363
Total Other than Intragovernmental	$	913,992	$	6,643,192	$	7,557,184
Total Other Liabilities	**$**	**977,794**	**$**	**6,643,192**	**$**	**7,620,986**
2023						
Intragovernmental:						
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	13,310	$	-	$	13,310
Employer Contributions and Payroll Taxes Payable		37,564		-		37,564
Total Intragovernmental	$	50,874	$	-	$	50,874
Total Other Liabilities	**$**	**50,874**	**$**	**-**	**$**	**50,874**

Please see Notes 8 for additional information on lease liability.

NOTE 8. LEASES

Effective for the fiscal year ending September 30, 2024, the USADF implemented the accounting standards outlined in Statement of Federal Financial Accounting Standards (SFFAS) 54: Leases. In accordance with SFFAS-54, the USADF recognizes lease liabilities and corresponding right-to-use (RTU) assets for all applicable lease agreements that meet the capitalization threshold of $100,000.

As of September 30, 2024, the USADF has determined that it holds one non-governmental lease agreement for an office building, beginning May 1, 2015, and expiring April 30, 2033. The lease qualifies under the RTU asset recognition threshold and is accounted for in accordance with SFFAS-54. The Agency recognized a right-to-use asset on the balance sheet at the commencement of the lease term. As of October 1, 2023, the RTU asset value is recorded at $8,149,224, representing the present value of future lease payments. The corresponding lease liability is recorded at $8,149,224, representing the obligation to make future lease payments, discounted to present value. The amortization expense for FY 24 is $850,354 and the ending balance for September 30, 2024, is $7,528,821. Lease payments are structured over a period of 10 years with interest recognized over the lease term.

Below is a schedule of future payments for the term of the lease:

	Principal	Interest	Total
Fiscal Year			
2025	$ 641,215	$ 331,532	$ 972,747
2026	696,033	301,033	997,066
2027	754,035	267,958	1,021,993
2028	815,385	232,157	1,047,542
2029	880,257	193,474	1,073,731
2030-2033	3,741,896	327,298	4,069,194
Total	**$ 7,528,821**	**$ 1,653,452**	**$ 9,182,273**

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, 2024. 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

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. 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 fiscal years ended September 30, 2024, and 2023, respectively, inter-entity costs were as follows:

	2024	2023
Office of Personnel Management	$ 411,129	$ 325,598
Total Imputed Financing Sources	**$ 411,129**	**$ 325,598**

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2024, and 2023 were as follows:

	Intragovernmental	Other than Intragovernmental	Total
2024			
Paid Undelivered Orders	$ 3,280	$ 5,291,296	$ 5,294,576
Unpaid Undelivered Orders	124,293	59,866,091	59,990,384
Total Undelivered Orders	**$ 127,573**	**$ 65,156,757**	**$ 65,284,330**
2023			
Paid Undelivered Orders	$ -	$ 1,596,306	$ 1,596,306
Unpaid Undelivered Orders	15,284	44,348,341	44,363,625
Total Undelivered Orders	**$ 15,284**	**$ 45,944,647**	**$ 45,959,931**

NOTE 12. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2024 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2025 and can be found at the OMB website: http://www.whitehouse.gov/omb/. The Fiscal Year 2025 Budget of the United States Government, with the "Actual" column completed for 2023, 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	$ 79	$ 58	$ (6)	$ 36
Unobligated Balance Not Available	(3)	-	-	-
Difference Due to Rounding	(2)	(1)	-	1
Budget of the U.S. Government	**$ 74**	**$ 57**	**$ (6)**	**$ 37**

NOTE 13. CUSTODIAL ACTIVITY

The USADF's custodial collection primarily consists of employee accounts receivable previously written off. While these collections are considered custodial, they are neither primary to the mission of the USADF nor material to the overall financial statements. The USADF's total custodial collections are $194 and $27,244 as of September 30, 2024, and 2023, respectively.

NOTE 14: RECONCILIATION OF NET OPERATING COST & NET BUDGETARY 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.

The reconciliation of Net Cost to Net Outlays as of September 30, 2024:

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 3,159,020**	**$ 29,782,912**	**$ 32,941,932**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(120,835)	(120,835)
Lessee Lease Amortization	-	(850,354)	(850,354)

Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	(2,319)	(2,319)
Advances and Prepayments	3,280	3,694,991	3,698,271
Other Assets	-	8,149,224	8,149,224
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(161,841)	(408,749)	(570,590)
Lessee Lease Liability	-	(7,528,820)	(7,528,820)
Federal Employee Salary, Leave, and Benefits Payable	-	(82,897)	(82,897)
Advances from Others and Deferred Revenue	511,011	-	511,011
Other Liabilities	(12,927)	(28,365)	(41,292)
Financing Sources:			
Imputed Cost	(411,129)	-	(411,129)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (71,606)**	**$ 2,821,876**	**$ 2,750,270**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	291,458	291,458
Financing Sources:			
Donated Revenue	-	(2,120,951)	(2,120,951)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ -**	**$ (1,829,493)**	**$ (1,829,493)**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(2,120,951)	(2,120,951)
Custodial/Non-Exchange Revenue	194	(194)	-
Appropriated Receipts for Trust/Special Funds	-	2,120,951	2,120,951
Total Other Reconciling Items	**$ 194**	**$ (194)**	**$ -**
Total Net Outlays (Calculated Total)	**$ 3,087,608**	**$ 30,775,101**	**$ 33,862,709**
Budgetary Agency Outlays, net			**$ 33,862,709**

The reconciliation of Net Cost to Net Outlays as of September 30, 2023:

		Intragovern-mental		Other than Intragovern-mental		Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$**	**1,428,949**	**$**	**34,814,630**	**$**	**36,243,579**
Components of Net Operating Cost Not Part of the Budgetary Outlays						
Property, Plant, and Equipment Depreciation Expense		-		(113,302)		(113,302)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:						
Accounts Receivable, Net		-		(4,600)		(4,600)
Advances and Prepayments		-		(231,837)		(231,837)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:						
Accounts Payable		(54,033)		768,999		714,966
Federal Employee Salary, Leave, and Benefits Payable		-		9,619		9,619
Advances from Others and Deferred Revenue		(590,758)		-		(590,758)
Other Liabilities		(1,069)		32,840		31,771
Financing Sources:						
Imputed Cost		(325,598)		-		(325,598)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$**	**(971,458)**	**$**	**461,719**	**$**	**(509,739)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost						
Acquisition of Capital Assets		-		139,815		139,815
Financing Sources:						
Donated Revenue		-		(6,066,422)		(6,066,422)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$**	**-**	**$**	**(5,926,607)**	**$**	**(5,926,607)**

Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(6,066,422)	(6,066,422)
Custodial/Non-Exchange Revenue	410	(410)	-
Non-Entity Activity	26,834	(26,834)	-
Appropriated Receipts for Trust/Special Funds	-	6,066,422	6,066,422
Total Other Reconciling Items	**$ 27,244**	**$ (27,244)**	**$ -**
Total Net Outlays (Calculated Total)	**$ 484,735**	**$ 29,322,498**	**$ 29,807,233**
Budgetary Agency Outlays, net			**$ 29,807,233**