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

Audit of USADF's Financial Statements for FY 2025

Audit Report 0-ADF-26-003-C
January 16, 2026

Audit

Office of Audits, Inspections, and Evaluations

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

DATE: January 16, 2026

TO: Elisabeth Feleke
Chief Program Officer
U.S. African Development Foundation

FROM: Khadija Walker /s/
Deputy Assistant Inspector General for Audits, Inspections, and Evaluations

SUBJECT: Audit of USADF's Financial Statements for FY 2025 (0-ADF-26-003-C)

This memorandum transmits our final audit report on the U.S. African Development Foundation's (USADF) financial statements for fiscal year (FY) 2025. The Office of Inspector General performed the audit in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*.

Our audit objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2025, were presented fairly, in all material respects; (2) evaluate USADF's internal controls over financial reporting; and (3) determine whether USADF complied with applicable laws, regulations, contracts, and grant agreements. To answer the audit objectives, we assessed risk, considered internal controls, and designed audit procedures relevant to USADF's fair presentation of its FY 2025 financial statements.

We were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion because USADF's staff were placed on administrative leave without access to key financial systems. We identified three material weaknesses in internal controls over financial reporting. In addition, we noted four instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements.

The report contains 13 recommendations to improve USADF's management processes for FY 2025. The report also contains three open recommendations from our FY 2024 audit.

We appreciate the assistance provided to our staff during the engagement.

Contents

Independent Auditor's Report

Elisabeth Feleke
Chief Program Officer
U.S. African Development Foundation

Dear Ms. Feleke:

In our audit of the fiscal year (FY) 2025 financial statements of the U.S African Development Foundation (USADF), we:

- Were not able to obtain sufficient and appropriate audit evidence to provide a basis of an audit opinion;
- Noted three material weaknesses in internal controls over financial reporting as of September 30, 2025; and
- Noted four instances of reportable noncompliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Government Management Reform Act of 1994 (GMRA), and Office of Management and Budget (OMB) Circular A-136 (July 14, 2025, revision). *Financial Reporting Requirements*.

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

Report on the Audit of the Financial Statements

Disclaimer of Opinion
We conducted an audit of USADF's financial statements as of September 30, 2025, the related statements of operations and changes in net position and cash flows for the FY, and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of USADF. Due to the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we were unable to obtain sufficient evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion
Due to the significant restructuring and realignment of USADF's operations, the Agency's staff were placed on administrative leave without access to key financial systems. As a result, Agency staff were unable to provide us with the necessary documentation we needed to render an opinion on whether USADF's consolidated financial statements, as of FY 2025, were fairly presented. Specifically:

- USADF could not provide us with a signed Management Representation Letter. Consequently, we were unable to determine if sufficient, reliable, and appropriate audit evidence was provided in the engagement.

- USADF's Chief Financial Officer did not certify and validate the Agency's financial statements for the second, third, and fourth quarters of FY 2025.
- In 2025, USADF staff were put on administrative leave, then recalled and granted access to systems for a total of 95 out of 261 working days. Agency staff were initially placed on administrative leave from March 8 through June 2, 2025, which accounted for 59 working days lost. When recalled from administrative leave from June 2, 2025, through July 22, 2025, staff still did not have access to agency systems for another 36 working days. Then, on December 2, 2025, the staff's financial system access was revoked again, and they were put on administrative leave from December 15, 2025, through the end of the calendar year.
- USADF was unable to provide us with requested population and transaction support, in a timely manner, to enable us to validate the balances reported on its financial statements.
- USADF staff and officials were unavailable to respond to questions and requests because they were on administrative leave with no access to their offices and systems. This posed a pervasive scope limitation to the engagement.

Due to these scope limitations, we were unable to perform the required test of controls and compliance.

Emphasis of Matter

USADF did not certify and validate its financial statements for the second, third, and fourth quarters of FY 2025. Therefore, for our audit purposes, no reliable financial statements were produced as of September 30, 2025, representing the:

- Statement of financial position,
- Statement of operations and changes in net position, or
- Statement of cash flows.

Responsibilities of Management for the Financial Statements

USADF management is responsible for:

- The preparation and fair presentation of its 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 controls 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 responsibility is to conduct an audit of USADF's financial statements in accordance with U.S. generally accepted auditing standards; standards applicable to financial statement audits contained in generally accepted government auditing standards (GAGAS), issued by the Comptroller General of the United States; guidance contained in OMB Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and to issue an auditor's report. However, because of the significance of matters described in the "Basis for Disclaimer of Opinion" section, we were unable to obtain sufficient, appropriate evidence in a timely manner to provide a basis for an audit opinion on the financial statements.

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.

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.

Report on Internal Control Over Financial Reporting

In connection with our engagement to audit USADF's financial statements, upon which we disclaimed an opinion because of the matters described above, we attempted to consider USADF's internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control over financial reporting.

<u>Results of Our Consideration of Internal Control Over Financial Reporting</u>
Our consideration of internal control was for the limited purpose described below and was not designed to identify all internal control deficiencies that might be material weaknesses[1] (see Appendix I) or significant deficiencies[2] or to express an opinion on the effectiveness of USADF's internal control over financial reporting. The material weaknesses discussed in this audit report resulted in ineffective internal control over financial reporting. Consequently, USADF's internal control did not provide reasonable assurance that a material misstatement of the consolidated financial statements would be prevented, or detected and corrected, on a timely basis.

<u>Basis for Results of Our Consideration of Internal Control Over Financial Reporting</u>
We performed our procedures related to USADF's internal control over financial reporting in accordance with GAGAS and OMB audit guidance.

[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 entity'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] 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.

Responsibilities of Management for Internal Control Over Financial Reporting
USADF management is responsible for designing, implementing, and maintaining effective internal controls 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 FY ended September 30, 2025, in accordance with GAGAS, 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.

Definition and Inherent Limitations of Internal Control over Financial Reporting
An entity's internal control over financial reporting is a process affected 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 GAGAS 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 audit 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 four instances of noncompliance for FY 2025 that would be reportable under GAGAS (see Appendix II). 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.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements were limited by certain material weaknesses and scope limitations discussed above. If the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, other instances of noncompliance or other matters herein.

Basis for Results of Our Tests for Compliance With Laws, Regulations, Contracts, and Grant Agreements
We performed our tests of compliance in accordance with GAGAS. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements" 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.

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 as well as 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. Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, other instances of noncompliance herein.

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 GAGAS in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comment

As of the issuance of this report, all USADF staff and management were on administrative leave and did not have access to key financial systems. Therefore, we were unable to obtain a management representation letter and any comments from the Agency.

USAID Office of Inspector General

USAID Office of Inspector General
Washington, District of Columbia
January 16, 2026

Appendix I – Material Weaknesses

I. Lack of Proper Recordkeeping and Data Integrity for Significant Financial Statement Accounts

Condition: USADF was unable to provide sufficient and appropriate supporting documentation for some of the transactions underlying the balances of significant accounts reported in the FY 2025 financial statements. Missing documentation included critical evidence such as grant agreements, invoices, contracts, receiving reports, approval signatures, and system-generated records necessary to verify the validity, accuracy, and completeness of these transactions. Also, the unavailability of Agency staff to answer or respond to clarifying questions created uncertainties about the quality of evidence. For example, in our testing of:

- *Grant Management Expenses*—all of the 45 sampled grant expenses lacked sufficient supporting documentation, limiting our ability to confirm the appropriateness of related expenditures.
- *Non-Grant Non-Payroll Expenses*—we noted exceptions with insufficient supporting documentation.
- *Property, Plant and Equipment (PP&E)*—USADF provided insufficient documentation for 16 items noted with exceptions out of 29 sampled items.
- *PP&E Acquisition*—we noted exceptions with insufficient supporting documentation.

In many of these cases, USADF provided system screenshots, listings, or reports from GISEL, its financial management system. However, the Agency did not provide supporting documentation—such as invoices, contracts/grant agreements, and other items needed to support the accuracy of the transaction.

Criteria: The U.S. Government Accountability Office's (GAO) *Standards for Internal Controls in the Federal Government*, Section 10.03, states:

> Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form.

Cause: USADF underwent significant restructuring, Agency staff were placed on administrative leave without access to key financial systems, and personnel were no longer available to answer questions related to data and support provided. As a result, the remaining USADF staff and personnel from the U.S Department of the Treasury Bureau for Fiscal Services (BFS) made efforts to provide the populations we requested. However, some populations were incomplete or inaccurate, and in a few cases, populations could not be provided because the necessary knowledge and access were not available internally.

The documentation challenges in combination with the unavailability of personnel and key financial system access issues resulted in USADF's inability to provide some of the supporting documentation for the reported balances.

Effect: The absence of supporting documentation for material transactions and accounting cycles, coupled with the lack of schedules that reconcile to the trial balance, severely impairs our and USADF's ability to obtain reasonable assurance regarding the completeness, accuracy, and validity of the financial statements.

Without verifiable evidence, management cannot substantiate that recorded transactions occurred were properly authorized and certified and free from material misstatement. Similarly, we could not perform essential procedures to confirm account balances or verify that the tested populations are complete.

Furthermore, this undermines the reliability of financial reporting, diminishes stakeholder confidence, and exposes USADF to potential noncompliance with Federal recordkeeping and internal control requirements, which are critical for accountability and transparency in the use of public funds.

The inability to produce transaction-level documentation for reported balances also represents a pervasive breakdown in recordkeeping and internal control over financial reporting. These deficiencies significantly impaired our ability to obtain sufficient, appropriate audit evidence as required under GAGAS and created a material scope limitation.

Recommendations: We recommend that USADF management:

1. Identify key balances, such as high-risk balances or high-dollar value items and ensure that supporting schedules agree with stated balances.
2. For material transactions where sample support cannot be located, obtain alternative evidence such as confirmations from vendors, grantees, or banks.
3. Develop and document retention controls that take into consideration USADF's current structure.

II. USADF's Chief Financial Officer Did Not Approve the Financial Statements for Quarters 2, 3, and 4

Condition: USADF did not approve the financial statements for the second, third, and fourth quarters of FY 2025 that BFS prepared, limiting USADF's ability to monitor financial performance and identify errors in a timely manner. This was due to the fact that the Agency was going through restructuring, and its employees were subsequently placed on administrative leave without access to key financial systems. These deficiencies indicate a fundamental breakdown in USADF's financial reporting processes and systems**.**

Criteria: OMB Circular A123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (July 15, 2016) states:

Management is also responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting, and compliance.

Cause: Because USADF staff were placed on administrative leave without access to financial systems, the Agency was unable to prepare and maintain timely and accurate review of financial reporting. Additionally, the Agency did not prioritize financial reporting requirements during the restructuring period, leaving critical functions unaddressed.

Effect: USADF's inability to produce reliable, validated, and certified financial statements or provide proper supporting documentation results in lack of public trust and accountability, undermines the integrity of USADF's financial reporting, limits the Chief Financial Officer's ability to monitor financial performance, and increases the risk of material misstatement and noncompliance with Federal reporting requirements. Additionally, this deficiency prevents us from expressing an opinion under GAGAS. As a result, we were unable to perform required audit procedures.

Recommendations: We recommend that USADF management:

4. Establish and implement a financial reporting process to ensure timely preparation of quarterly and annual financial statements in compliance with OMB Circular A-136 that is appropriate for its current size, staffing levels, and mission.
5. Determine personnel gaps in its financial reporting function and determine whether these roles can be filled by existing USADF personnel.
6. Implement monitoring mechanisms to ensure adherence to Federal financial management requirements and timely corrective action for deficiencies.

III. Ineffective Entity-Level Controls

Condition: USADF did not maintain effective entity-level controls necessary to establish a consistent and reliable internal control environment across the organization. The control environment, comprising governance, oversight, and communication, was insufficient to support financial reporting objectives and compliance requirements. This weakness undermines the tone at the top and creates systemic risk across all operational levels. Specifically:

- Governance bodies responsible for internal control oversight faced significant challenges following the 2025 restructuring and realignment of U.S. foreign aid. During this period, Agency employees went on administrative leave and there was confusion regarding the organization's future existence. USADF did not perform a FMFIA/A-123 assessment in FY 2025.
- There was no evidence that USADF submitted the FY 2025 Agency Management Report to OMB or for our review.
- Communication of internal control priorities was inconsistent and fragmented, leading to uneven implementation across operating units.

- USADF did not implement corrective actions related to prior year audit findings, leaving previously identified deficiencies unresolved and compounding the risk of control failures during the current fiscal year.

Criteria: GAO's *Standards for Internal Control in the Federal Government,* Section 10.09, states:

> Entity-level controls are controls that have a pervasive effect on an entity's internal control system and may pertain to multiple components. Entity-level controls may include controls related to the entity's risk assessment process, control environment, service organizations, management override, and monitoring.

FMFIA, codified in 31 U.S. Code (U.S.C.) § 3512, states:

> Consistent with standards the Comptroller General prescribes, the head of each executive agency shall establish internal accounting and administrative controls that reasonably ensure that—
>
> (A) obligations and costs comply with applicable law;
>
> (B) all assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and
>
> (C) revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability of the assets may be maintained.

Cause: Significant organizational disruption followed USADF's restructuring and the realignment of U.S. foreign aid. Agency employees were placed on administrative leave, and confusion regarding the organization's existence was an ongoing concern. While Agency management made efforts to sustain oversight, the pace and scale of the restructuring created challenges in timely updating of governance processes, internal control frameworks, proper segregation of duties, and communication channels.

Effect: The lack of effective entity-level controls increases the risk that financial reporting is not accurate or complete, compliance with laws and regulations is not maintained, and misuse of funds may not be promptly detected and prevented.

Recommendations: We recommend that USADF management:

7. Develop and implement alternative solutions to provide internal control support, including FMFIA/A-123 testing and documentation updates.

8. Develop and implement a streamlined internal control and risk assessment plan focused on the drawdown of operations, prioritizing high-risk areas such as disbursements, funds held outside of the Treasury, grants, and closeout procedures to maintain compliance and financial integrity.

9. Strengthen communication and accountability by issuing clear written guidance on roles and responsibilities for remaining personnel and establishing a simple escalation process for unresolved control issues.

Appendix II – Instances of Noncompliance

During our audit of USADF's FY 2025 financial statements, we identified four instances of noncompliance:

- Ineffective entity-level controls (see Appendix I);
- Chief Financial Officer did not approve the financial statements for quarters 2, 3, and 4 (see Appendix I);
- Absence of FMFIA and OMB Circular A-123 internal control assessments and assurance;
- USADF did not produce an Annual Management Report.

IV. Absence of FMFIA and OMB Circular A-123 Internal Control Assessments and Assurance

Condition: USADF did not perform the required OMB Circular A-123 internal control assessment over financial reporting (ICFR), evaluate compliance with FMFIA Sections 2 and 4, or issue the annual statement of assurance. These omissions indicate that management did not implement the enterprise-level governance processes necessary to assert the effectiveness of internal controls and the reliability of financial management systems.

Specifically, USADF did not:

- Plan and perform an A-123 ICFR assessment, including entity-level and process-level controls, or document the controls and assessment procedures as required by A-123 Appendix A.
- Complete FMFIA Section 2 and 4 evaluations or issue the Statement of Assurance signed by the President and Chief Executive Officer, which, by statute, must state whether internal accounting and administrative controls comply with FMFIA's objectives and whether financial systems conform to prescribed standards.
- Assess and monitor controls, using applicable data, sources, and documentation.
- Design corrective action plans for identified internal deficiencies and ensure that the weaknesses were corrected.

Criteria: OMB Circular A-23, *Management's Responsibility for Enterprise Risk Management and Internal Control*, states:

> Management is also responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting, and compliance.
>
> The statement of assurance represents the Agency head's informed judgment as to the overall adequacy and effectiveness of internal control within the Agency related to operations, reporting, and compliance.

FMFIA Section 2 states that internal controls shall provide reasonable assurance that:

> (i) obligations and costs are in compliance with applicable law; (ii) funds, property, and other assets are safeguarded…; and (iii) revenues and expenditures…are properly recorded and accounted for.…
>
> By December 31 of each succeeding year, the head of each executive agency shall… prepare a statement—(A) that the agency's systems of internal accounting and administrative control fully comply… or (B) that such systems do not fully comply.…

Cause: In FY 2025, the administration realigned foreign aid in accordance with its America First policy. This resulted in USADF's restructuring, and employees were placed on administrative leave without access to key financial systems. As such, USADF did not complete the FMFIA exercise for FY 2025. Agency staff remained on administrative leave from March 8, 2025, through June 2, 2025, accounting for 59 working days. Staff did not have access to Agency systems when recalled from administrative leave on June 2, 2025, and did not regain access until July 22, 2025, meaning they did not have access to systems for 36 working days. In total, Agency staff did not have access to systems for 95 working days. On December 2, 2025, Agency staff had financial system access was revoked again, and they were put on administrative leave on December 15, 2025.

Effect: Lack of performing the required assessment and procedures, as described above, prevented USADF management from determining whether the established Agency internal controls re designed, implemented, and operating effectively; and that financial systems can be relied upon; and accurate financial data produced.

Furthermore, USADF management's inability to produce FMFIA and A-123 assurances, supported by documented evaluations, limits its ability to place reliance on controls and elevates the risk that material misstatements will not be prevented or detected timely.

Lastly, because USADF management did not provide foundational evidence asserting the effectiveness of internal controls or the reliability of financial management systems, our ability to rely on internal controls was limited. The absence of required evaluations and statements creates noncompliance with Federal statutes and OMB requirements, undermining accountability and transparency in financial management.

Recommendations: We recommend that USADF management:

10. Develop a plan for completing the FY 2026 internal controls assessment and resulting assurance statements, including the timing and who is responsible for completing the assessment.
11. Perform the FY 2026 internal controls assessment and prepare the resulting assurance statements in accordance with Federal requirements and within the required due date.

V. USADF Did Not Produce an Annual Management Report

Condition: USADF management did not prepare an Annual Management Report (AMR) for FY 2025. Instead, BFS prepared financial statements and notes only, which were not approved by Agency management. Accordingly, USADF did not comply with OMB Circular A-136 requirements, which direct agencies to include sections such as Management's Discussion and Analysis, Performance Summary, and Other Information in addition to basic financial statements and notes.

Criteria: OMB Circular A-136 (July 14, 2025, revision), *Financial Reporting Requirements*, Section II.1.1, states that the required contents of the AFR or Performance Accountability Report are: (1) Agency Head Transmittal Letter, (2) MD&A, (3) Financial Section, and (4) Other Information.

Cause: USADF's restructuring and employees placed on administrative leave without access to key financial systems resulted in the Agency's inability to produce an AMR in accordance with OMB guidance.

In addition, USADF did not analyze systems, controls, and legal compliance to the extent necessary to prepare management's assurances related to the FMFIA as required by OMB Circulars A-136, Section II.2.4, and A-123, Section VI, paragraph A.

Effect: USADF's inability to produce an AMR resulted in a lack of accountability and compliance and did not allow for full transparency related to the Agency's mission, goals, objectives, and results.

Recommendations: We recommend that USADF management:

12. Establish and implement a financial reporting process to ensure timely preparation of an OMB Circular A-136-compliant AMR that is appropriate for its current size, staffing levels, and mission.
13. Develop procedures to analyze systems, controls, and legal compliance to the extent necessary to prepare management's assurances related to the FMFIA.

Appendix III – Status of Prior Year Recommendations

Our assessment of the current status of the prior year's recommendations is presented below.

Prior Year Recommendation	Current Status
Significant Deficiency: Improvements needed over the recording of funds held outside of the Treasury (FHOT)-related transactions	
Reassess the FHOT reconciliation process for ways to improve the process to maximize the use of electronic records and bank access.	Open
Reassess the FHOT reconciliation process for ways to improve the process to address inactive accounts and close accounts as necessary.	Open
Revisit the current policy and procedures related to the recording of financial transactions and reconciliation of bank accounts for the 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.	Open
Reassess the FHOT reconciliation process for ways to improve the timeliness of the monthly reconciliations.	Closed
Reassess the FHOT reconciliation process for ways to improve the process to revalue account balances monthly with or without bank statements and record the adjustments as needed.	Closed
Reassess the FHOT 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.	Closed

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U.S. AFRICAN DEVELOPMENT FOUNDATION

UNAUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

Enclosed for your review are the 4th quarter unaudited financial statements for fiscal year 2025. Please forward any comments or questions by October 31, 2025. No response by this date will be viewed as acceptance and the financial statements will be submitted.

U.S. AFRICAN DEVELOPMENT FOUNDATION
UNAUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2025
(In Dollars)

		(UNAUDITED) 2025
Assets		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$	66,411,155
Advances and Prepayments		5,691
Total Intragovernmental Assets		66,416,846
Other than Intragovernmental Assets		
Cash and Other Monetary Assets (Note 3)		9,160,453
Accounts Receivable, Net (Note 4)		85,392
Property, Plant, and Equipment, Net (Note 5)		7,541,341
Advances and Prepayments		85,838
Total Other than Intragovernmental Assets		16,873,024
Total Assets	**$**	**83,289,870**
Liabilities (Note 6)		
Intragovernmental Liabilities		
Accounts Payable	$	373,522
Advances from Others and Deferred Revenue		2,194,824
Other Liabilities (Note 7)		28,111
Total Intragovernmental Liabilities		2,596,457
Other than Intragovernmental Liabilities		
Accounts Payable		309,958
Federal Employee Salary, Leave, and Benefits Payable		477,063
Other Liabilities (Note 7)		6,887,804
Total Other than Intragovernmental Liabilities		7,674,825
Total Liabilities	**$**	**10,271,282**
Net Position		
Unexpended Appropriations		
Funds from Other than Dedicated Collections	$	61,985,697
Total Unexpended Appropriations (Consolidated)		61,985,697
Cumulative Results of Operations		
Funds from Other than Dedicated Collections		11,032,891
Total Cumulative Results of Operations (Consolidated)		11,032,891
Total Net Position	**$**	**73,018,588**
Total Liabilities and Net Position	**$**	**83,289,870**

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 FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)

		(UNAUDITED) 2025
Revenue:		
Appropriations Used	$	23,357,941
Other Revenue		237,101
Imputed Financing (Note 10)		559,848
Revenue to be Transferred		(81)
Collections for Others		81
Donations		253,918
Total Revenue	**$**	**24,408,808**
Expenses:		
Grant Program	$	25,050,846
Total Expenses	**$**	**25,050,846**
Net Revenue (Loss)	$	(642,038)
Net Position:		
Net Revenue (Loss)	$	(642,038)
Increase/(Decrease) in Unexpended Appropriations, Net		(1,860,381)
Increase/(Decrease) in Net Position, Net		(2,502,419)
Net Position, Beginning Balance		75,521,007
Net Position, Ending Balance	**$**	**73,018,588**

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CASH FLOW
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025
(In Dollars)

		(UNAUDITED)2025
Cash Flows From Operating Actvities:		
Net Revenue (Loss)	$	(642,038)
Adjustments Affecting Cash Flow:		
Depreciation Expense	$	163,661
Amortization Expense		641,016
Decrease/(Increase) in Other Assets		5,203,047
Decrease/(Increase) in Accounts Receivable		(85,392)
Decrease/(Increase) in Lessee Right-to-Use Lease Asset		641,016
Increase/(Decrease) in Lease Liability		(641,016)
Increase/(Decrease) in Accounts Payable and Other Liabilities		(1,341,948)
Total Adjustments		4,580,384
Net Cash Provided / (Used) by Operating Activities	**$**	**3,938,346**
Cash Flows From Investing Activities:		
Purchase of Property, Equipment, and Software	$	(564,011)
Net Cash Provided/(Used) by Investing Activities	**$**	**(564,011)**
Cash Flows From Financing Activities:		
Appropriations Received, Net	$	21,642,059
Rescissions and Cancellations		(23,502,440)
Payments on Lease Liabilities		(641,016)
Net Cash Provided by Financing Activities	**$**	**(2,501,397)**
Net Increase/(Decrease) in Fund Balance With Treasury	$	872,938
Fund Balance with Treasury and Funds Held Outside of Treasury, Beginning		74,698,670
Fund Balance with Treasury and Funds Held Outside of Treasury, Ending	**$**	**75,751,608**

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

(UNAUDITED) 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.

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 $253,918 are composed of the following: African Governments $665,126; private donations totaling $5,735; downward adjustments to foreign accounts due to currency fluctuations ($416,943).

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 was not 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, 2025, includes balances from four Inter-agency agreements totaling $2,194,824. 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 $715,113.

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, 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
Right-to-Use 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 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. 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, 2025, were as follows:

		2025
Status of Fund Balance with Treasury:		
Unobligated Balance	$	15,369,093
Obligated Balance Not Yet Disbursed		51,042,062
Total Fund Balance with Treasury	**$**	**66,411,155**

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, 2025, consisted of totaled $9,160,453. The comparative balances are summarized below:

		2025
EcoBank Benin	$	2,673,342
EcoBank Cote D'ivoire		536,192
EcoBank Guinea		19,105
EcoBank Kenya		125,515
Stanbic Bank of Kenya		413,746
EcoBank Mali		77,107
EcoBank Malawi		372,449
Zenith Bank Nigeria		158,484
EcoBank Nigeria		630,978
Sterling Bank Nigeria		99,398
I&M Bank Limited Rwanda		169
EcoBank Senegal		35,692
BNDE Bank Senegal		422,140
Stanbic Bank of Uganda		3,021,873
EcoBank Zimbabwe		3
Banque Mauritanienne de l’Investissement		348,392
United Bank for Africa, Nigeria		225,868
Total Funds Held Outside Treasury	**$**	**9,160,453**

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable balance as of September 30, 2025, were as follows:

		2025
Other than Intragovernmental Accounts Receivable	$	85,392
Total Other than Intragovernmental Accounts Receivable	$	85,392
Total Accounts Receivable	**$**	**85,392**

The accounts receivable is primarily made up of employee receivables.

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT, NET

Schedule of General Property, Plant, and Equipment, Net as of September 30, 2025:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2025			
Furniture and Equipment	$ 1,646,318	$ 1,035,508	$ 610,810
Software	1,243,799	1,243,799	-
Software-in-Development	272,678	-	272,678
Lessee Right-To-Use Lease Asset	8,149,223	1,491,370	6,657,853
Total	**$ 11,312,018**	**$ 3,770,677**	**$ 7,541,341**

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2025, 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.

	2025
Intragovernmental-Unemployment Insurance	$ 2,156
Unfunded Leave	275,534
Unfunded Lessee Lease Liability	6,839,257
Total Liabilities Not Covered by Budgetary Resources	$ 7,116,947
Total Liabilities Covered by Budgetary Resources	3,154,335
Total Liabilities	**$ 10,271,282**

Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the USADF’s behalf and payable to the DOL.

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

NOTE 7. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2025, were as follows:

	Current		Non-Current		Total	
2025						
Intragovernmental Other Liabilities						
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$	5,528	$	-	$	5,528
Employer Contributions and Payroll Taxes Payable		20,427		-		20,427
Other Unfunded Employment Related Liability		2,156		-		2,156
Total Intragovernmental Other Liabilities	$	28,111	$	-	$	28,111
Other than Intragovernmental Other Liabilities						
Lessee Lease Liability	$	48,547	$	-	$	48,547
Unfunded Lessee Lease Liability		647,486		6,191,771		6,839,257
Total Other than Intragovernmental Other Liabilities	$	696,033	$	6,191,771	$	6,887,804
Total Other Liabilities	**$**	**724,144**	**$**	**6,191,771**	**$**	**6,915,915**

NOTE 8. LEASES

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. The amortization expense for fiscal year 2025 is $641,016 and the ending balance for September 30, 2025, is $6,887,804. 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						
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		948,831		151,744		1,100,575
2031-2033		2,793,263		175,555		2,968,818
Total	**$**	**6,887,804**	**$**	**1,321,921**	**$**	**8,209,725**

The operating lease amount does not include estimated payments for leases with annual renewal options.

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, 2025. 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 year ended September 30, 2025, respectively, inter-entity costs were as follows:

		2025
Office of Personnel Management	$	559,848
Total Imputed Financing Sources	**$**	**559,848**

NOTE 11. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2025, were as follows:

		Intragovernmental		Other than Intragovernmental		Total
2025						
Paid Undelivered Orders	$	5,691	$	85,838	$	91,529
Unpaid Undelivered Orders		481,033		54,740,410		55,221,443
Total Undelivered Orders	**$**	**486,724**	**$**	**54,826,248**	**$**	**55,312,972**

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 2025 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2026 and can be found at the OMB website: http://www.whitehouse.gov/omb/. The Fiscal Year 2026 Budget of the United States Government, with the "Actual" column completed for 2024, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 70	$ 57	$ 2	$ 37
Unobligated Balance Not Available	(4)	-	-	-
Difference Due to Rounding	(1)	(1)	-	-
Budget of the U.S. Government	**$ 65**	**$ 56**	**$ 2**	**$ 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 $31 as of September 30, 2025.

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, 2025:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 3,373,442**	**$ 21,440,253**	**$ 24,813,695**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(163,661)	(163,661)
Lessee Lease Amortization	-	(641,016)	(641,016)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	85,392	85,392
Advances and Prepayments	2,411	(5,205,458)	(5,203,047)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	29,496	610,363	639,859
Lessee Lease Liability	-	641,016	641,016
Federal Employee Salary, Leave, and Benefits Payable	-	240,742	240,742
Advances from Others and Deferred Revenue	397,290	-	397,290
Other Liabilities	35,692	28,364	64,056
Financing Sources:			
Imputed Cost	(559,848)	-	(559,848)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (94,959)**	**$ (4,404,258)**	**$ (4,499,217)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	-	564,011	564,011
Financing Sources:			
Donated Revenue	-	(253,918)	(253,918)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ -**	**$ 310,093**	**$ 310,093**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	253,918	253,918
Custodial/Non-Exchange Revenue	31	(31)	-
Non-Entity Activity	50	-	50
Appropriated Receipts for Trust/Special Funds	-	253,918	253,918
Total Other Reconciling Items	**$ 81**	**$ 507,805**	**$ 507,886**
Total Net Outlays (Calculated Total)	**$ 3,278,565**	**$ 17,853,892**	**$ 21,132,457**
Budgetary Agency Outlays, net			**$ 21,132,457**