



## **OFFICE OF INSPECTOR GENERAL**

---

# **Audit of the United States African Development Foundation's Financial Statements for Fiscal Years 2009 and 2008**

**AUDIT REPORT NO. 0-ADF-10-002-C**  
**November 13, 2009**

**WASHINGTON, DC**



*Office of Inspector General*

November 13, 2009

**MEMORANDUM**

**TO:** ADF President and CEO, Lloyd O. Pierson

**FROM:** AIG/A, Joseph Farinella *Joseph Farinella*

**SUBJECT:** Audit of the United States African Development Foundation's Financial Statements for Fiscal Years 2009 and 2008 (Audit Report No. 0-ADF-10-002-C)

With this memorandum, the Office of Inspector General (OIG) is transmitting the audit report prepared by the certified public accounting firm of Leonard G. Birnbaum and Company, LLP (Independent Auditor) on the Financial Statements of the United States African Development Foundation (ADF) as of September 30, 2009 and 2008. The OIG contracted with this Independent Auditor to audit the financial statements.

The Independent Auditor expressed an unqualified opinion on ADF's FY 2009 and 2008 financial statements and notes. The report states that the Financial Statements presented fairly, in all material respects, ADF's financial positions, the net cost of operations, the changes in net position, and budgetary resources for the years ended September 30, 2009 and 2008, in conformity with accounting principles Generally Accepted in the United States of America.

The report contained no material weaknesses or significant deficiencies in ADF's internal control over financial reporting and no instances of material noncompliance with selected provisions of applicable laws and regulations involving ADF's financial management system.

We reviewed the audit report and found it to be in accordance with auditing standards generally accepted in the United States; generally accepted Government Auditing Standards issued by the Comptroller General of the United States; and the Office of Management and Budget Bulletin (OMB) 07-04, *Audit Requirements for the Federal Financial Statements*.

In connection with our contract, we reviewed the Independent Auditor's related audit documentation. Our review is different from an audit in accordance with the auditing standards discussed above, was not intended to enable us to express, and we do not express an opinion on ADF's financial statements. Also, we did not express conclusions on the effectiveness of ADF's internal control or ADF's compliance with other laws and regulations. The Independent Auditor was responsible for the attached auditor's report dated November 3, 2009 and the conclusions expressed therein. Our review disclosed no instances where the Independent Auditor did not comply, in all material respects, with the auditing standards discussed above.

The Office of Inspector General appreciates the cooperation and courtesies extended to our staff and to the staff of Leonard G. Birnbaum and Company, LLP, during the audit. If you have questions concerning this report, please contact Rohit Chowbay at (202) 712-1317.

# CONTENTS

<b>Message from the President</b> .....	1
<b>Management's Discussion and Analysis</b> .....	2
<b>Message from the CFO</b> .....	16
<b>Independent Auditor's Reports</b> .....	17
<b>Financial Statements</b>	
Balance Sheet .....	21
Statements of Net Cost .....	22
Statements of Changes in Net Position .....	23
Statements of Budgetary Resources .....	24
Notes to the Financial Statements .....	25

**UNITED STATES AFRICAN DEVELOPMENT FOUNDATION**

**PERFORMANCE AND ACCOUNTABILITY REPORT**

**FISCAL YEAR 2009**

Leonard G. Birnbaum and Company, LLP  
6265 Franconia Road  
Alexandria, VA 22310  
(703) 922-7622



November 3, 2009

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2009 Performance and Accountability Report for the United States African Development Foundation (USADF). USADF is committed to achieving the highest levels of effective and efficient operations, full transparency and accountability in financial reporting, and full compliance with applicable laws and regulations.

USADF has a unique development assistance mission in the Federal government. The Foundation works directly with marginalized and under-served poor populations across Africa, with a focus on long-term economic development. Local economic development is the key to poverty alleviation; therefore a majority of USADF funding goes toward community-based groups. A major component of USADF's approach is directed toward helping to develop and grow small and medium-sized enterprises in Africa that produce both economic gains and quality of life improvements. These gains are measured in terms of more jobs, improved incomes, better work conditions, and greater access to educational and health services.

In FY 2009, USADF achieved several significant steps forward in 2009 programs. USADF was able to award over \$25 million of quality grants and technical resources to improve lives and income levels to many of the most marginalized and underserved communities in Africa. This amounts to a 36% increase in program funding over 2008, and includes more than a 90% increase in the number of project grants over 2007 and 2008 levels. At the same time, process time for critical grant activities have been reduced by more than 50%. Quality control and monitoring and evaluation are a critical priority for all program outputs and activities.

USADF's operating model is one of low overhead to maximize the amount of appropriated dollars that provide direct economic development assistance to the most underprivileged populations in Africa. In FY 2009, the Foundation continued to focus attention on lowering costs, speeding up delivery of services, and improving our strategic partnership initiative. Overhead expenses did not significantly change from FY 2008 while program funding increased by 36% over FY 2008 levels. USADF has pledged to be a Federal agency model of openness and transparency and has taken significant actions to make this happen, including launching a new public information directory on our web site.

Our vision is to help end the poverty of thousands of marginalized groups across Africa. Our success is measured in lives improved, new economic opportunities created, and goodwill established. Our mission is as applicable today, if not more so, than when USADF was founded in 1980. We look forward to continued cooperation with Congress, U.S. Government agencies, and friends and experts throughout the African development community.

Signed:

/s/

Lloyd O. Pierson  
President and CEO

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**United States African Development Foundation Mission and Organizational Structure**

- Purpose:** Fostering hope, growth, and goodwill in Africa.  
**Vision:** To end the poverty of a million Africans by investing in their ideas.  
**Mission:** To support underserved communities in Africa with resources that help create better economic opportunities for all.

The United States African Development Foundation (USADF), created in 1980, provides grants of up to \$250,000 to indigenous African organizations that benefit under served and marginalized<sup>1</sup> groups. 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. Project success and long term impact is further enhanced through USADF efforts to establish a network of local support and technical service providers across Africa. Partner organizations are local non-governmental organizations that provide project design, implementation and management support to USADF grant recipients. Grant success is measured in terms of jobs created and sustained, increased income levels, and improved social conditions.

USADF operates grant programs in 20 countries across Africa. Currently, USADF has over 300 active project development grants valued at over \$56 million. These grants are distributed as shown in the table to the right.

The Staffing Table below shows the personnel required to support USADF operations across a five year period. USADF has plans to further simplify organizational structures in 2010 to improve operational efficiencies. Plans to shift select contract positions to direct hire roles in 2010 are in a final review stage.

*Staff Table*

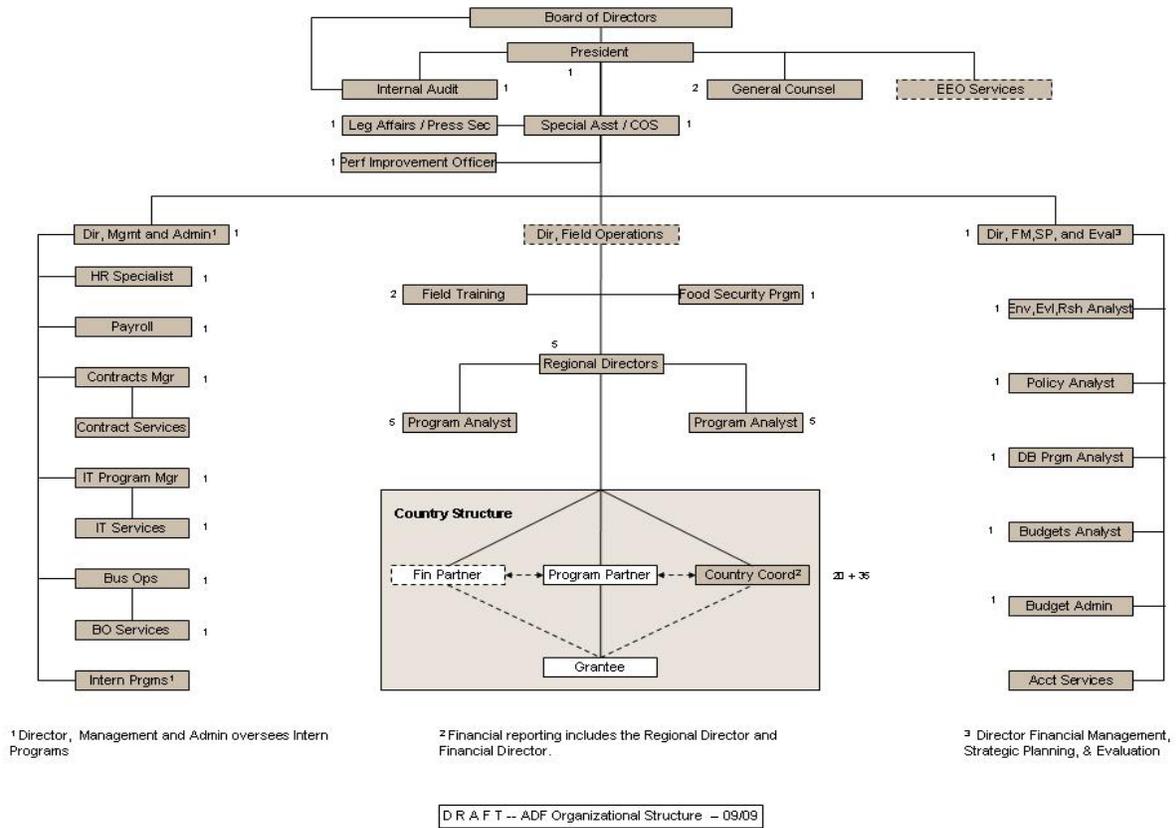
Professional Staffing Levels	End of FY 2006	End of FY 2009	Estimated FY 2010
Direct Federal Hires	29	25	29
PSC - Washington	3	13	3
PSC - Field	34	23	23
<b>Total</b>	<b>66</b>	<b>61</b>	<b>55</b>

*Country Project Table*

Country	Active Projects	Active Value (USD)
Benin	14	2,261,363
Botswana	27	3,601,516
Burkina Faso	11	1,456,759
Burundi	10	1,475,523
Cape Verde	16	3,562,234
Ghana	21	4,328,572
Guinea	17	2,731,988
Liberia	12	1,994,239
Malawi	10	1,988,934
Mali	21	3,745,376
Mauritania	10	1,339,665
Namibia	1	240,292
Niger	15	3,135,716
Nigeria	29	4,365,728
Rwanda	15	2,230,409
Senegal	13	1,687,552
Swaziland	6	866,553
Tanzania	30	5,487,544
Uganda	25	4,841,283
Zambia	27	5,315,098
<b>Total</b>	<b>330</b>	<b>56,656,344</b>

<sup>1</sup> Marginalized groups are people who have been disenfranchised from the political, economic and social fabric of the broader society and who have significant needs that currently are not being addressed.

The organization chart below represents the outcome of these planned changes, pending final review and approval by the Board of Directors.

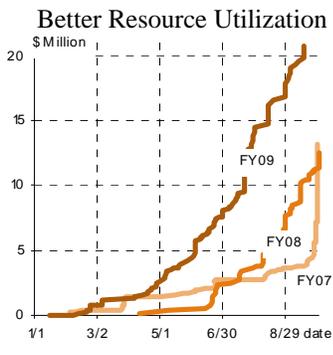
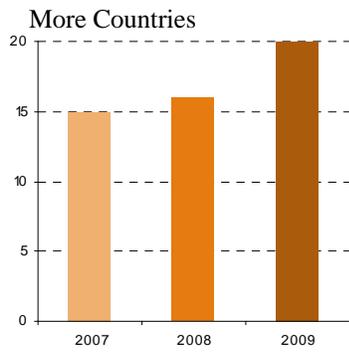
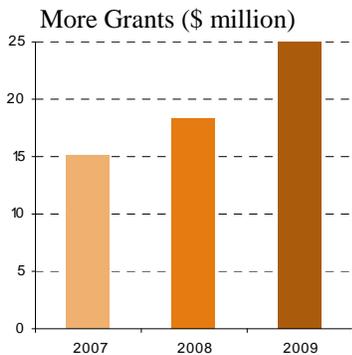


**Performance Summary and Discussion**

The summary charts below reflect several aspects of USADF improved performance in 2009. USADF increased the number of grants provided to marginalized groups in Africa, improved its disbursement processing cycle times, and better balanced strategic partner collections with current year funds utilization.

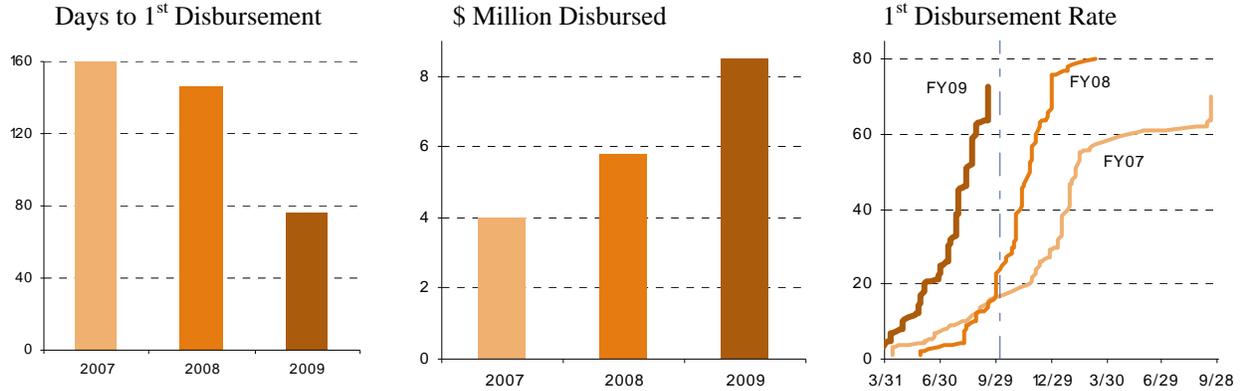
**More Grants in More Countries**

- \$25M in New Project and Partner Grants, a 34% Increase over 2008
- Funding in 20 Countries, Up 25% From 2008
- Better Resource Utilization in 2009 (cumulative value of new obligations over time by Fiscal Year)



### Faster Grant Disbursement Processing

- 1<sup>st</sup> Disbursement Turnaround Improved from 140 Days to 76 Days in 2009
- Amount Of Project Funds Disbursed in 12 Month Period Improved by 32%
- 1<sup>st</sup> Disbursement Process Now Six Months Earlier than FY 2007



### Better Strategic Partner Funds Utilization

Strategic Partner Funds	2007	2008	2009
New SP Funds Collected	\$3.4M	\$4.7M	\$3.3M
SP Funds Applied to Projects	\$2.3M	\$1.0	\$4.0M

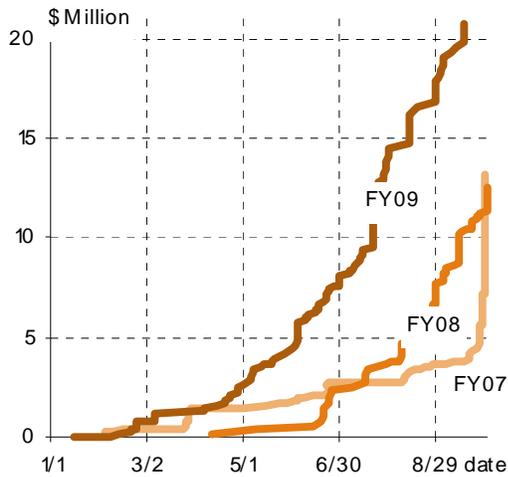
### 2009 Program Performance Discussion - Improving Grant Quality

In 2009, USADF increased the volume and value of quality project development grants to marginalized groups in Africa. The number of grants increased from 80 in FY 2008 to over 150 in FY 2009. The value of the grants increased from \$12.5 million to \$20.7 million in the same period. Did the rapid increase in grants decrease the quality of the grants in 2009? Ultimately grant quality can only be determined by evaluating the actual results of a grant. Given the nature of development grants, an assessment of 2009 grants cannot be made until the 2011 to 2014 timeframes. However, there are reasonable assurances that grant quality was maintained and improved in 2009 due to several factors. These factors include: African ownership, a better distribution of work across the calendar year, major productivity gains from work simplifications, and improved management practices. In addition, quality was maintained by strengthening several grant quality assurance measures in 2009. The following information expands on these points.

#### African Ownership

Ownership and quality are tightly linked. USADF’s participatory development approach promotes greater African ownership. In 2009 USADF strengthened this model by focusing on more African input and decision-making in the grant process. Currently, all of the USADF Partner Organization staff are Africans from the host country in which they serve. There are 55 USADF staff members in Africa, of which 53 are Africans. Of the two non-African staff, the one American consultant will be departing in November, which leaves one part-time expatriate consultant remaining in Botswana. Additional steps were taken to ensure Grantees had a significant and guiding role in determining the nature of each project. USADF’s Africa designed and Africa owned approach has achieved major dividends in organizational focus and motivation overseas. Partners, representatives, and grantees state they feel they have much more involvement in the decision making process.

### Better Work Distribution



The chart (left) shows the rate at which USADF achieved the \$20.7 million funding level in 2009 compared to similar funding activities in 2008 and 2007. Note that in 2007 more than 70% of the funding occurred in the last 4 weeks of the fiscal year. Typically compressed workloads tend toward lower quality outcomes. In 2008 and 2009 the funding of new grants occurred at essentially the same rate. What accounts for the higher level of achievement in 2009 is that the activity started much sooner in the year. One can see that the timing of the 2009 funding activities occurred well ahead of similar timeframes in 2007, and on average, was 60 days ahead of 2008 levels. From a quality perspective, it is preferable to spread out work across a longer period of time and across more available resources. In 2009, new grant funding was distributed across 20 different African countries compared to 16 countries in

2008 and 2007. This is a 25% increase in available resources to engage in the grant making processes in 2009.

### Work Simplification

The grant application and the grant project paper work products were simplified in 2009. Prior to 2008 and 2009, the application form and associated project paper were voluminous. Guidance for the project design was reduced from 70 pages to 12 pages – resulting in a simplification of the grant proposal package that better retains the applicant’s original request and the Partner Organization’s input for the proposed solution.

### Management Improvements

Several important organizational improvements to the grant making process were initiated in 2008 and were made operational in 2009. The improvements included the enhanced delegation of authority to the Regional Directors, more focused and structured grant package reviews, and better management oversight of the funding activities. First, in 2009, Regional Directors more effectively exercised their delegated authority to make application screening and selection decisions and to conduct field reviews of grant proposals. This minimized the inefficient and often ineffective reviews between Washington staff and the Grantee and Partner Organizations, and preserved a greater degree of design ownership closer to Africa. Second, in 2009, final grant proposal reviews were focused at two levels – design quality and compliance. This resulted in a streamlined approval process. These two types of reviews maintained a better sense of ownership and better leveraged areas of technical expertise. The specialization of review functions and greater accountability for results are best practices that can improve quality levels. And third, the 2009 funding process included a stronger management component (Bi-Weekly Program Status Reviews) that held Regional Directors (and their teams) accountable for funding targets, timeframes, and adherence to design and review standards. Together, in 2009 these factors helped to ensure a higher level of achievement.

USADF conducted a 2009 Funding Process Review Survey with Washington, Field Staff and Partners. Of

the 38 people who responded to the survey<sup>2</sup>, 27 were field and partner staff from Africa. Over 90% of respondents rated the 2009 funding process and associated documents as effective. A debrief session was held with Washington staff on October 21, 2009 to discuss ways to improve the process and documents for 2010.

### **Analysis of Financial Statements**

USADF is pleased to report that in FY 2009 the Foundation continued to receive an unqualified opinion on all financial statements from its independent auditors, Leonard G. Birnbaum & Company. Since FY 2001, USADF has received an unqualified opinion on the Balance Sheet, the Statement of Net Costs, the Statement of Net Position, and the Statement of Budgetary Resources.

#### **Assets**

USADF's *Fund Balance with Treasury* increased, from \$31.5 million at the end of FY 2008 to \$35.8 million at the end of FY 2009. The difference of \$4.3 million is due to a \$2.5 million increase in FY 2009 appropriations over FY 2008 appropriations and the multi-year nature of grant disbursements. In FY 2009, ADF obligated a historically high amount and number of grants. Grant funds, however, are disbursed over a period of two to three years, resulting in the higher fund balance.

*Cash and Other Monetary Assets* consist of foreign currency donations made by African governments and private-sector entities with which USADF has established strategic partnerships. The funds are held in bank accounts in each country where a partnership is in effect. These assets increased, from \$8.3 million at the end of FY 2008 to \$9.0 million at the end of FY 2009, primarily due to new donations from strategic partners in Malawi, Mali and Uganda during the last month of FY 2009.

#### **Liabilities and Net Position**

*Liabilities* did not change significantly from FY 2008 to FY 2009. USADF's *Net Position* (the sum of the Unexpended Appropriations and Cumulative Results of Operations) at the end of 2009 as shown on the Balance Sheet and the Statement of Changes in Net Position was \$47.1 million, a \$5.6 million increase from the previous fiscal year. This increase is explained in the prior section regarding the *Fund Balance with Treasury*. *Unexpended Appropriations* of \$37.4 million represents funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2009. *Cumulative Results of Operations* of \$9.7 million consists primarily of funds donated by strategic partners that were not expended by the end of FY 2009.

#### **Net Cost of Operations**

The *Net Cost of Operations* is defined as the gross (i.e., total) cost incurred by the Agency, less any exchange (i.e., earned) revenue. Program costs assigned to program activities, such as grants and cooperative agreements, increased from \$15.2 million in FY 2008 to \$19.1 million in FY 2009, due primarily to an increase in grant activities. Costs not assigned to programs, such as office expenses, staff salaries, and other administrative costs, did not change significantly from FY 2008 to FY 2009. USADF is continuing its efforts to become a more efficient organization.

Close to one-third of USADF's non-program expenses are related to payroll. The next most significant category of expense, also at approximately one-third, relates to the on-the-ground presence USADF

<sup>2</sup> The survey questions and responses may be viewed online at:  
<http://www.zoomerang.com/Shared/SharedResultsPasswordPage.aspx?ID=L23ZUEF89GBD>

maintains in African countries with the field coordinator offices. The remaining one-third relates to rent, travel, supplies, publications, training, contractual services, and information technology.

**Budgetary Resources**

USADF's budgetary resources consist of its annual appropriations from Congress, which are available for two years, and donations from strategic partners. USADF's FY 2008 appropriations were \$30 million; its FY 2009 appropriations are \$32.5 million. USADF received \$3.8 million in donations from strategic partners, representing a decrease of \$900 thousand from the \$4.7 million received in FY 2008.

*Unobligated Balances* increased from \$10 million at the end of FY 2008 to \$10.8 million at the end of FY 2009. *Obligations Incurred* line increased from \$ 31.2 million in FY 2008 to \$39.8 million in FY 2009. The increase of \$8.6 million is due to a 36% increase in program obligations and a \$4 million increase in recoveries of prior year unpaid obligations over FY 2008 levels.

**USADF Internal Controls, and Legal Compliance**

**Management Assurance Statements**

**General FMFIA Assurance Statement**

It is my informed judgment, as the head of the United States African Development Foundation that I make an unqualified statement of assurance (no material weaknesses reported) to the adequacy and effectiveness of USADF internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations.

Signed:

/s/

Lloyd O. Pierson, President

---

**Internal Control over Financial Reporting Assurance Statement**

The United States African Development Foundation's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. USADF assesses the effectiveness of USADF' internal control over financial reporting and is working toward full compliance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of our assessment, the USADF can provide reasonable assurance that internal control over financial reporting as of September 30, 2009 is operating effectively and that no material weaknesses have been found in the design or operation of the internal controls over financial reporting.

Signed:

/s/

Lloyd O. Pierson, President

---

**Annual Assurance Statement on Financial Management System**

The United States African Development Foundation has been using Oracle Federal Financial System hosted by National Business Center (NBC) under Department of Interior since FY 2004. Based on the results provided in the FY 2009 SAS 70 Report on Oracle Federal Financial System, I am able to provide a reasonable assurance that the USADF's Financial Management Systems conforms to government-wide requirements mandated by the FFMIA and OMB Circular No. A-127, Financial Management Systems, section 7.

Signed:

/s/

Lloyd O. Pierson, President

**Other Management Information, Initiatives, and Issues****USADF's Response to Ghana and Senegal Audits**

The IG's 2008 audits of USADF's program and operations in Ghana and Senegal supported the changes management had already initiated. USADF's management team has been both proactive and also responsive in aggressively implementing corrective actions throughout its programs. In an August 3, 2009 meeting in Senegal, the RIG/DAKAR relayed to USADF President, Board of Directors, and to the US Embassy Dakar Chargé d' Affaires, that USADF's proactive approach in responding to the IG's recommendations should be recognized. USADF is in the final stages of closing all of the audit recommendations.

An overview summary of the audit actions taken and how it has changed USADF's operations overseas and in Washington is identified below:

- (1) Improved operational and program management structures in Ghana -- The new structure provides USADF Washington with better direct oversight of design and implementation of projects and improved responsiveness to fulfilling the needs of its clients.
- (2) Filled vacant field staff positions in Senegal and replaced staff in Ghana -- The results of a highly competitive procurement review process of 43 applications resulted in USADF Ghana awarding a cooperative agreement to skilled African professionals to serve as Partner with the experience to assist grass root structures in developing their goals and objectives and obtaining a sustainable financial management system. Filling both the USADF Partner and Field Office vacant positions in Senegal enables USADF Washington to monitor the portfolio in a more timely and effective manner and to take remedial action efficiently and professionally.
- (3) Provided extensive training to staff and Partners to improve reporting and compliance -- The recruitment of a qualified accounting firm as a new Partner in Ghana provides a more effective financial monitoring and training team with increased oversight and more efficient reporting on the sustainability of projects. The agency oriented the new Partners and Field staff on USADF's internal control procedures, policies and procedures to include, but not limited to: program strategy, core values and culture, ethics training, audit process and financial management. USADF has recently developed a training division to ensure the policies, procedures, guidelines and lessons learned are disseminated in a timely, consistent and standardized format to include training in project analysis and design monitoring and remediation. For tighter management control and oversight, USADF has a biannual portfolio review of country programs, which includes quantifiable performance measure for projects and Partners. Also, performance plans are solidified to ensure primary responsibilities are understood. As a result, USADF Washington is receiving improved detailed reporting on the status of the projects.
- (4) Improving technical assistance to grantees to include an increased emphasis on financial and asset management training -- The recruitment of a qualified accounting firm as Partner in Ghana and of an auditor as a Financial Officer in the Senegal Partner staff provides a more effective financial monitoring and training team with increased oversight as well as more efficient reporting on the sustainability of the project throughout the life of the grant. Recently, a Ghana Partner provided a six month training and site visit report which documented 60 site visits and the level of engagement and training provided to the grantees.
- (5) Terminating grants and collecting reimbursement of the public's funds -- USADF's processes require that Portfolio reviews are ongoing and each project is visited, implementation issues identified and solutions determined with the grantee. Detailed remediation plans are developed for timely implementation of

corrective action to meet goals and objectives. Terminations of grants may be deemed necessary, especially when project management lacks commitment to the goals and objectives of the project and when attempts to correct poor financial management have failed. Collections of funds may be required when they are found to be mismanaged, or not used as intended, or when costs are ineligible or unsupported.

- (6) Performing timely financial closeouts of expired grants -- USADF policies establish the procedures for the required financial closeouts of grants funded by the Foundation at the end of the grant period. Where close-out reveals that funds are due to the grantee, funds are paid promptly. Where funds are due the Foundation, the Foundation will take steps to collect. The closeout process provides the opportunity to assess the sustainability and to obtain an understanding of strengths and weaknesses in processes. Active projects benefit from the lessons learned.
- (7) Updating several USADF policies -- USADF recognizes that standardizing and disseminating their processes and procedures to staff in USADF Washington and in the field diffuses any misconceptions on requirements. Updating policies is an ongoing process. However, updating manual sections, such as Grant and Cooperative Agreement Disbursement Procedures manuals, facilitates a timely disbursement to the grantees to meet their goals and objectives

**OMB Circular A-123 Compliance Improvements**

In past years, appropriate letters of assurance and statements in audit reports have been submitted by the United States African Development Foundation. In November 2008, annual letters of assurance were signed based on various internal control related materials, audits, and activities, including actions reported to the Board of Directors USADF at the May 5, 2008 meeting of the Board related to improvements in USADF internal controls related to internal audit capability, monitoring and evaluation, the finance office, contracting, and related to improvements in program management related to regional program coordinators, the Ghana and Nigeria programs.

The basis for past assurances is that USADF has appropriate management controls in place to ensure that all internal controls are operating in accordance with applicable policies and procedures and are effective in meeting the requirements contained in OMB Circular A-123 most of which are imposed by the Federal Managers' Financial Integrity Act (FMFIA) and the Federal Financial Management Improvement Act (FFMIA).

Management has placed priority on identifying internal control issues and acting to improve processes and practices where appropriate. Three examples during 2009 include: USADF identified violations of tax regulations, self reported the issue to the Internal Revenue Service and negotiated a resolution of the situation; and, USADF identified issues related to contracting and reached a decision to purchase an information technology based procurement system and to technologically connect the financial and procurement systems of the Foundation. USADF has also chosen to standardize the contracts for Personal Service Contractors.

In 2010, management will further strengthen USADF's internal control environment by adding a formalized annual assessment process that goes beyond prior year practices. This enhanced approach will become an institutional practice of the Foundation to increase the level and quality of Management's Annual Statements of Assurance on internal controls. The adoption of a continuous improvement internal control process will include:

- (1) A regular review of the organizational culture and structure: areas of authority and responsibility and delegations, reporting hierarchies, human capital policies, expectations of integrity and ethical patterns of behavior.

- (2) A risk assessment of internal and external factors and previous findings.
- (3) Assessment of policies, procedures, mechanisms, segregations of duties, physical controls on assets, authorizations processes, documentation and access to documentation, including those related to information systems, and mechanisms of communication of information internally and externally.
- (4) Monitoring the effectiveness of these processes as a normal course of business, including: identification and reporting of deficiencies and consideration and, where appropriate, planning and implementing corrective action.

A directive issued by the President on November 3, 2009 formally outlines the steps and timeframes associated with the formal implementation of USADF’s enhanced internal control assurance process. A copy is attached.

**Internal Audit Function**

Prior to the IG audit activities, USADF management moved to establish and strengthen an independent internal audit capability that reports directly to the USADF President and the Board of Directors. The internal audit function will focus its efforts on assessing compliance with USADF financial policy and practices at the Country Coordinator Offices, USADF Partner Organizations, and the USADF project grantees. Each assessment will be followed by an Internal Audit Report and follow-up project plan.

In 2009 the USADF Internal Audit unit made significant progress in implementing a systematic plan and approach to review the financial management and accounting for USADF funds provided to project grants, partner grants, and country coordinator offices.

Financial Audits in 2009	Scheduled	Completed
Projects Grants	35	35
Partner Grants	12	8
Coordinator Offices	8	8

**Integrated Contracting Practices**

USADF will be implementing an automated Acquisition Management System in FY 2010 to improve the procurement and contracting process through online records management, improvements to process controls and reporting, greater standardization of policy, and increased assurances of compliance with the Federal Acquisition regulation.

**Grant Monitoring and Evaluation**

In late FY 2008, the new monitoring and evaluation unit at USADF commissioned POSDEV, an independent, African NGO based in Ghana to conduct an extensive program and grant evaluation across 15 countries in Africa. The final reports and findings are due by the end of 2009.

The Program evaluation has the following three components:

- 1) Standardized survey of all USADF-funded clients with active projects underway for at least two years and projects that expired within the past 3 years.
- 2) In-depth evaluation of a random sample of 40 percent of the projects included in the client survey. The in-depth evaluations will be based on field visits and open-ended interviews with clients, partner organizations, country program coordinators, USADF staff, and other stakeholders; and,
- 3) Standardized sample surveys of workers and farmers or other primary raw material suppliers for the projects included in the in-depth evaluations.

**Limitations of Financial Statements**

USADF's principal financial statements have been prepared to report the financial position and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from books and records in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

**ANNUAL PERFORMANCE INFORMATION**

**Program Achievements**

It should be noted that USADF achieved several significant steps forward in 2009 programs. Working from a base budget of \$32.5 million, USADF was able to provide over \$25 million of quality grants and technical resources to improve lives and income levels to many of the most marginalized and underserved communities in Africa. This amount is a 36% increase in program funding over 2008, and includes more than a 90% increase in the number of project grants over 2007 and 2008 levels. At the same time, process times for critical grant activities have been reduced by more than 50%. Quality control and monitoring and evaluation are a critical priority for all program outputs and activities.

In 2009, USADF used over \$4 million of African strategic partner matching funds to stretch U.S. tax dollars further in reaching under-served communities. This is the highest level in the history of the agency. These combined efforts translate into a much more efficient use of public funds and much better service levels for the neediest in Africa.

Management has established seven operational priorities for FY 2009 and 2010 to ensure that USADF is effectively meeting its obligations to the United States taxpayer and making a positive impact in Africa. The majority of these focus on USADF programming activities and achieving greater cost effectiveness in operations in order to increase the amount of appropriated dollars going directly to poor communities in Africa.

<b>2009 - 2010 Operational Priorities</b>
1. Model high effectiveness and low overhead operations.
2. Focus program activities on marginalized communities in Africa.
3. Invest in Africans and their ideas through participatory development.
4. Ensure projects produce long term social and economic results.
5. Promote African led and managed field project support.
6. Achieve the highest levels of openness and transparency in the U.S. government
7. Support and develop an equal opportunity, results-driven staff team that rewards hard work, dedication to the mission, and personal success.

Several important management actions are underway to improve on programming, financial, and personnel practices. A number of the most important steps have been completed to simplify and streamline the project review and approval processes and lower costs to more efficiently achieve USADF mission objectives. Cost reduction actions taken to date include major contractor reductions, compensation adjustments, elimination of redundant regional office functions, and de-layering USADF's organizational structure.

Three simple performance measures help ensure USADF is maximizing the use of funds for development grants in Africa, is efficiently moving funds to Africa with minimum delays and is consistently moving toward lower overhead levels. The table below shows USADF achievements for 2005 through 2009. In 2009 USADF increased the number of grants provided to marginalized groups in Africa, significantly improved its disbursement processing cycle times, and better balanced strategic partner collections with current year funds utilization.

*Comparative Performance Table:*

Measure	FY 2005 Achievement	FY 2006 Achievement	FY 2007 Achievement	FY 2008 Achievement	FY2009 Target	FY 2009 Achievement
Development Grant Funding Levels <sup>1</sup>	\$16 million	\$13.5 million	\$15 million	\$18 million	\$27 million	\$25 million
Grant 1 <sup>st</sup> Disbursement Timing	Not tracked	Not Tracked	214 days	146 days	45 days	78 days
Operating Expense Ratio <sup>2</sup>	34%	38%	46%	36%	<36%	35%

<sup>1</sup>Cooperative Agreement Grants and Project Grants including use of Strategic Partner Funds

<sup>2</sup> Operating Expenses / Current Year Appropriations

Development grant funding levels increased sharply from \$18 million in 2008 to \$25 million in 2009. As discussed previously (see MD&A section on Improving Grant Quality), the volume of work was spread across a greater number of countries and over a longer period of time than prior years. The target of \$27 million in grant funding was missed primarily due to two factors. In FY 2009, programming in Guinea was suspended for political reasons. USADF had planned to do \$1.5 million in project grants and had a pipeline of projects that were valued at \$1.4 million. Additionally, management action, which was taken to avoid an unusually high peak of project grants in FY 2009 being followed by a deep drop in project grant levels in FY 2010 (due to expected budget cuts in 2010), led to carrying forward selected projects valued at \$1 million for funding in 2010.

Disbursement timing represents the number of days between the date a legal grant agreement was established and the date funds were released for use by the grantee. USADF has made significant steps to reduce the period. In FY 2009, USADF made very significant improvements in this cycle time, reducing the time from 146 days to 76 days. This achievement fell short of the targeted level of 45 days due to under performance in eight of twenty countries. Improved training and in country resource capabilities are expected to improve performance in 2010.

Operating Expense levels continue to be a challenge. USADF budget priorities are to maximize the amount of appropriated funds for quality programs to marginalized communities in Africa while maintaining sufficient levels of oversight and internal controls. Maintaining FY 2009 program levels in FY 2010 and addressing a 12% reduction in available funds (\$2.5 million of reduced funding and less carry forward funds) will require a two step process. Step One is to straight line FY2009 expenditure levels across program and administration support budgets. This step includes reviewing the earlier plan to convert a number of PSC positions to direct hires. This step will hold operating expenses to the \$11.5 million mark. On the program side of the budget, straight lining means that project grants and partner development grants will remain at the same level as FY 2009. Step Two begins the process of lowering high personnel costs by initiating an accelerated retirement program to lower year over year personnel costs. The targeted personnel annual rate cost reduction is \$1 million. By the end of 2010, USADF aims to be on an annual operating expense spending pattern of \$10.5 million, which in turn will maintain USADF at the 35% operating expense range.

**Program Evaluations**

Each project grant funded by USADF includes specific set of goals and objectives, and a line item budget as a part of the standard grant agreement. For active grants, these documents may be viewed online at the USADF website. Progress toward achievement of these goals and an accounting of the use of grant funds is monitored on a quarterly basis through a grantee report. The grantee quarterly reports are reviewed by Partner Organizations, Country Coordinators, and USADF Washington staff to closely track and assess the grantee’s progress and performance. The grant agreements and quarterly reports are on file with

USADF and may be provided upon request. Partner Organizations, USADF Country Coordinators, and USADF Washington staff (including the President and Board of Directors) also conduct regular monitoring site visits to each USADF grantee, and summarize their findings in site visit reports. Timeframes for USADF grants range from two to five years in duration. At the end of a grant period, the Partner Organizations and USADF staffs complete a grant close-out process that includes a full accounting for the use of grant funds, and an assessment of the project's outcomes and its sustainability.

Each partner organization funded by a cooperative grant agreement provides USADF with a monthly report that includes both project and financial management information used by USADF to assess the performance of the grantee. These reports are on file with USADF and may be provided upon request. A new partner performance and assessment model was developed in FY 2009 for implementation in FY 2010.

As discussed previously (see MD&A section on Grant Monitoring and Evaluation), USADF commissioned an external program evaluation on September 23, 2008 with the Pan-African Organization for Sustainable Development (POSDEV). POSDEV is a non-governmental organization that was created in 1997 to build an alliance of indigenous African NGOs committed to the empowerment of local grassroots movements for self-reliant, sustainable development. POSDEV's membership consists of thirteen African NGOs. Fifteen country programs were included: Benin, Botswana, Cape Verde, Ghana, Guinea, Liberia, Mali, Niger, Nigeria, Rwanda, Senegal, Swaziland, Tanzania, Uganda, and Zambia. Draft reports are currently under review. Final reports are expected by the end of 2009.

### **Other Program Performance Indicators**

A detailed set of USADF performance indicators is displayed in the table below. Performance indicators in FY 2008 mostly showed significant improvements in the effectiveness of USADF funds to help grow Small and Medium Sized Enterprises in Africa. Cumulative revenue growth nearly doubled from \$56 million to \$112 million. The "investment multiplier" increased from 3.5 in FY 2007 to 4.9 in FY 2008. This indicator tracks how much sales revenues increased for each USADF dollar provided to that enterprise. Both the export growth measure and the number of beneficiaries rose sharply in 2008. Although considerable time and effort is needed to develop local growth engines, USADF grantees prove they can productively use USADF funds to increase revenues and expand operations.

#### *Key Performance Indicators FY 2008*

<b>Indicator</b>	<b>FY 06 Actual</b>	<b>FY07 Actual</b>	<b>FY08 Actual</b>
Cumulative Revenue Growth, active and recently expired (USD thousands)	\$43,288	\$63,044	\$112,355
<b>Investment Multiplier, active and recently expired</b>	<b>2.0</b>	<b>3.8</b>	<b>6.3</b>
Cumulative Export Revenue Growth, active and recently expired (USD thousands)	ND	\$4,970	\$18,038
Net Income Before Income Taxes and Depreciation, active (USD thousands)	\$3,106	\$11,952	\$17,364
<b>Profitability, active</b>	<b>44.0%</b>	<b>71.0%</b>	<b>68.7%</b>
Owners, Full-Time Workers, and Principal Raw Material Suppliers or Farms, active	46,553	44,464	106,814
Salaries, wages, and bonuses paid by grantees, active (USD 000)	ND	ND	\$5,640
<b>Sustainability, expired</b>	<b>62%</b>	<b>84%</b>	<b>79%</b>



November 3, 2009

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION  
MESSAGE FROM THE CFO

I am pleased to present the FY 2009 comparative Financial Statements for the United States African Development Foundation. These statements were prepared in accordance with generally accepted accounting principles in the U.S.

USADF has no material weaknesses or instances of noncompliance to report. The agency is in full compliance with the Federal Managers Financial Integrity Act, the Federal Financial Management Improvement Act, and all other laws and regulations to which the agency is subject.

Signed:

/s/

William E. Schuerch  
Chief Financial Officer

**LEONARD G. BIRNBAUM AND COMPANY, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON OFFICE

6265 FRANCONIA ROAD

ALEXANDRIA, VA 22310-2510

703-922-7622

FAX: 703-922-8256

LESLIE A. LEIPER  
LEONARD G. BIRNBAUM  
DAVID SAKOFS  
CAROL A. SCHNEIDER  
DORA M. CLARKE

WASHINGTON, DC  
SUMMIT, NEW JERSEY  
REDWOOD CITY, CALIFORNIA

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and the President,  
United States African Development Foundation:

We have audited the United States African Development Foundation's (USADF) Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Statements of Budgetary Resources (Annual Financial Statements) as of, and for the years ended, September 30, 2009 and 2008; we have considered internal control over financial reporting in place as of September 30, 2009; and we have tested compliance with selected laws and regulations.

In our opinion, USADF's 2009 and 2008 Annual Financial Statements are presented fairly in all material respects.

We found the following:

- no instances of material weakness in the internal controls over financial reporting,
- no instances of significant deficiencies in USADF's internal control, and
- no instances of noncompliance with selected provisions of applicable laws and regulations involving USADF's financial management system.

Each of these conclusions is discussed in more detail below. This report also discusses the scope of our work.

**ANNUAL FINANCIAL STATEMENTS**

In our opinion, USADF's 2009 and 2008 Annual Financial Statements, including the notes thereto, present fairly, in all material respects, USADF's financial position as of September 30, 2009 and 2008, and its net cost of operations, changes in net position, and use of budgetary resources, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## INTERNAL CONTROL

In planning and performing our audits of the USADF's Annual Financial Statements as of, and for the years ended, September 30, 2009 and 2008, in accordance with auditing standards generally accepted in the United States of America, we considered USADF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Annual Financial Statements but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control. Accordingly, we do not express an opinion on the effectiveness of USADF's internal control. We limited our consideration of internal control to those controls necessary to achieve the objectives described in the Office of Management and Budget's (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. We did not consider all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations.

The purpose of internal control is to provide management with reasonable, but not absolute, assurance that the following objectives are met:

- transactions are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over assets;
- funds, property, and other assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and
- transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements and other laws and regulations that the OMB, or USADF management have identified as being significant for which compliance can be objectively measured and evaluated.

Our consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. Under standards issued by the American Institute of Certified Public Accountants, a significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, 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. We noted no matters that we considered to be material weaknesses as defined herein.

We noted certain other internal control issues that we have reported to USADF's management in a separate letter dated November 3, 2009.

### COMPLIANCE WITH LAWS AND REGULATIONS

USADF's management is responsible for complying with laws and regulations applicable to USADF. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of USADF's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts, and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to USADF. The objective of our audit of the annual financial statements, including our tests of compliance with selected provisions of applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions in statutes and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements or that sensitivity warrants disclosure thereof. The results of our tests of compliance with laws and regulations disclosed no material instances of noncompliance.

### RESPONSIBILITIES AND METHODOLOGY

USADF management has the responsibility for the following:

- preparing the Annual Financial Statements and other accompanying information in conformity with accounting principles generally accepted in the United States of America;
- establishing and maintaining effective internal control; and
- complying with applicable laws and regulations.

Our responsibility is to express an opinion on the financial statements based on our audit. Auditing standards generally accepted in the United States of America require that we plan and perform the audit to obtain reasonable assurance about whether the Annual Financial Statements are free of material misstatement and presented fairly in accordance with accounting principles generally accepted in the United States of America. We considered USADF's internal control for the purpose of expressing our opinion on the annual financial statements referred to above and not to provide an opinion on internal control. We are also responsible for testing compliance with selected provisions of applicable laws and regulations that may materially affect the financial statements.

In order to fulfill these responsibilities, we took the following actions:

- We examined, on a test basis, evidence supporting the amounts and disclosures in the annual financial statements;
- We assessed the accounting principles used and significant estimates made by management;
- We evaluated the overall presentation of the Annual Financial Statements;
- We obtained an understanding of the internal control over financial reporting by obtaining an understanding of USADF's internal control, determined whether the controls had been place in operation, assessed control risk, and performed tests of controls;
- We tested compliance with selected provisions of laws and regulations that may have a direct and material effect on financial statements;
- We obtained written representations from management; and
- We performed other procedures, as we considered appropriate under the circumstances.

We performed our work in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Bulletin 07-04. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis is supplementary information required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

This report is intended for the information of the Inspector General of U.S. Agency for International Development and management of the United State African Development Foundation, OMB, the Government Accountability Office, the Department of Treasury, and Congress and is not intended to be and should not be used by anyone other than those specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Leonard G. Birnbaum and Company, LLP

Alexandria, VA  
November 3, 2009

United States African Development Foundation  
BALANCE SHEETS  
As of September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY 2008</u>
<b>ASSETS</b>		
Intragovernmental:		
Fund balance with Treasury (Note 3)	\$ 35,844,724	\$ 31,478,499
Total intragovernmental	35,844,724	31,478,499
Cash and other monetary assets (Note 4)		
Accounts receivable, net (Note 5)	9,045,747	8,276,924
Advances and prepayments (Note 6)	-	925
General property, plant and equipment – Net (Note 7)	2,431,168	2,090,886
	<u>608,180</u>	<u>676,622</u>
<b>TOTAL ASSETS</b>	<u>\$ 47,929,819</u>	<u>\$42,523,856</u>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts payable	\$ -	\$ 157,965
Total intragovernmental	-	157,965
Accounts payable		
Other (Note 8)	\$ 388,765	419,143
	489,728	400,449
<b>TOTAL LIABILITIES</b>	<u>\$ 878,493</u>	<u>\$ 977,557</u>
<b>NET POSITION</b>		
Unexpended Appropriations	37,350,742	32,344,209
Cumulative Results of Operations	<u>9,700,584</u>	<u>9,202,090</u>
<b>TOTAL NET POSITION</b>	<u>47,051,326</u>	<u>41,546,299</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$47,929,819</u>	<u>\$42,523,856</u>

United States African Development Foundation  
STATEMENTS OF NET COST  
For the Years Ended September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY 2008</u>
PROGRAM COSTS		
Gross Costs	\$ 19,102,782	\$ 15,270,768
Less: earned revenue	-	(17,380)
Net program costs	19,102,782	15,253,388
Cost not assigned to program	<u>10,718,779</u>	<u>10,535,962</u>
NET COST OF OPERATIONS	<u>\$ 29,821,561</u>	<u>\$ 25,789,350</u>

United States African Development Foundation  
**STATEMENTS OF CHANGES IN NET POSITION**  
For the Years Ended September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY2008</u>
<b>Cumulative Results Of Operations:</b>		
Beginning Balances	\$ 9,202,090	\$ 8,256,521
Adjustments:		
Corrections of errors (Note 9)	<u>-</u>	<u>(1,247,505)</u>
Beginning Balances, as adjusted	9,202,090	7,009,016
<b>Budgetary Financing Sources:</b>		
Appropriations used	26,259,795	23,019,515
<b>Other Financing Sources (Non-Exchange):</b>		
Donations and forfeitures of property	3,809,553	4,713,923
Transfers in/out reimbursement	(2,047)	-
Imputed financing	252,754	231,606
Other	<u>-</u>	<u>17,380</u>
Total Financing Sources	30,320,055	27,982,424
Net Cost of Operations	<u>29,821,561</u>	<u>25,789,350</u>
Net Change	498,494	2,193,074
Cumulative Results Of Operations:	9,700,584	9,202,090
<b>Unexpended Appropriations:</b>		
Beginning Balances	32,344,209	24,359,219
Adjustments:		
Corrections of errors (Note 9)	<u>-</u>	<u>1,247,505</u>
Beginning Balances, as adjusted	32,344,209	25,606,724
<b>Budgetary Financing Sources:</b>		
Appropriations received	32,500,000	30,000,000
Other adjustments	(1,233,672)	(243,000)
Appropriation used	<u>(26,259,795)</u>	<u>(23,019,515)</u>
Total Budgetary Financing Sources	5,006,533	6,737,485
Total Unexpended Appropriations	<u>37,350,742</u>	<u>32,344,209</u>
Net Position	<u>\$47,051,326</u>	<u>\$41,546,299</u>

United States African Development Foundation  
**STATEMENTS OF BUDGETARY RESOURCES**  
For the Years Ended September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY2008</u>
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, brought forward, October 1:	\$10,003,364	\$ 4,505,790
Recoveries of Prior year unpaid obligations	6,208,971	2,233,710
Budget Authority		
Appropriation	32,500,000	30,000,000
Spending Authority from offsetting collections (gross)	3,189,843	4,731,303
Permanently not available	<u>(1,233,671)</u>	<u>(243,000)</u>
<b>TOTAL BUDGETARY RESOURCES</b>	<u><b>\$50,668,507</b></u>	<u><b>\$41,227,803</b></u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred – Direct	39,803,026	31,224,438
Unobligated balances (Note 3)		
Apportioned	5,363,781	3,558,027
Exempt from apportionment	2,363,731	3,737,028
Unobligated balances – unavailable (Note 3)	<u>3,137,969</u>	<u>2,708,310</u>
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<u><b>\$50,668,507</b></u>	<u><b>\$41,227,803</b></u>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated Balance, Net – as of October 1		
Unpaid Obligations, brought forward	29,752,058	26,742,043
Obligations Incurred	39,803,026	31,224,439
Gross Outlays	(29,321,123)	(25,980,713)
Recoveries of prior year unpaid obligations, actual	(6,208,971)	(2,233,710)
Obligated Balance, Net - End of Period		
Unpaid Obligations	34,024,990	29,752,058
<b>NET OUTLAYS</b>		
Gross Outlays	<u>29,321,123</u>	<u>25,980,713</u>
Net outlays	29,321,123	25,980,713

**United States African Development Foundation**  
**Notes to the Financial Statements**  
**As of September 30, 2009**

**Note 1. Organization**

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 is the principal agency of the U.S. Government that supports community-based, self-help initiatives that alleviate poverty and promote sustainable economic and social development in Africa at the grassroots level. The Foundation’s headquarters are in Washington, D.C. USADF maintains partnerships with local organizations, staffed with African professionals, in each of the countries in which it operates. Over the past 23 years, the Foundation has funded more than 1600 projects in 34 African countries.

**Note 2. Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis to report the financial position and results of operation in accordance with the concepts and standards contained in the Statements of Federal Financial Accounting Standards, as required by the Chief Financial Officers Act of 1990. These statements have been prepared from the books and records of the Foundation in accordance with the form and content for federal financial statements specified in the Office of Management and Budget (OMB) in *OMB Circular No A-136, Financial Reporting Requirements*, as amended, and the Foundation’s accounting policies, which are summarized in this note.

**B. Basis of Accounting**

Transactions are recorded on an accrual basis. Grants are recorded when obligated and expenses are recognized when the funds are expended, without regard to receipt or payment of cash. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of grants and expenses during the reporting period. Actual results will invariably differ from those estimates.

**C. Fund Balances with Treasury and Cash**

The Foundation maintains the majority of its funds in the U.S. Treasury. These are amounts for which the Foundation is authorized to make expenditures and pay liabilities. In addition, commercial, noninterest bearing accounts (in local currencies) are maintained with Barclays Bank of Botswana, Citibank Nigeria, and Banco Comercial do Atlantico in Cape Verde, Standard Chartered Bank in Ghana, Ecobank in Mali, Citibank and Zenith Bank in Nigeria, First National Bank of Swaziland in Swaziland, Standard Chartered Bank in Zambia, EcoBank Guinea, EcoBank Benin, Standard Chartered Uganda, Banque Commerciale du Rwanda and National Bank of Malawi to process grant funds for those countries. Governments with whom USADF has entered Strategic Partnerships deposit donations into these accounts. In general, grants are funds equally with appropriated funds and donated funds. USADF controls all disbursements from these accounts.

#### **D. 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 or at the prevailing exchange rate at the beginning of the month in which the transaction occurred. 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 its obligations at the end of each quarter 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 if the adjustment occurs within the Foundation's authorized two year funding period. 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, if any, or from currently available funds.

#### **E. Grant Accounting**

The Foundation disburses funds in advance to grantees to cover their projected expenses over a three-month period. Grantees report to the Foundation periodically on the actual utilization of these funds. For purposes of these financial statements, the Foundation treats disbursements to grantees as advances. The advance is reduced when the grantee reports expenditures. The total grant advance is the total amount disbursed to the grantee less the total expended for open (nonexpired) grants as of the reporting date. In order to ensure timeliness in reporting grantee expenditures, the Foundation will use estimates to complete to calculate the last quarter's grantee expenditures based on historical expenditure trends since 1996 and disbursement activity funding that quarter's activity. The actual expenditures adjustments will be reported in the following quarter's financial statements. Once a grant has closed (expired or cancelled) any excess disbursement is reclassified as an Accounts Receivable.

#### **F. Travel Advances**

Advances are given to USADF employees for official travel. Travel advances are recorded as expenses upon receipt of employee travel vouchers.

#### **G. Property, Plant and Equipment, Net**

The space in which the Foundation operates is leased by the Foundation through a multi-year lease. Equipment is depreciated using the straight-line method over useful lives, which is estimated at five years. Equipment with an acquisition cost of less than \$5,000 or less than two years of life is expensed when purchased.

#### **H. Accounts Payable**

Accounts payable represent amounts owed to nonfederal entities, primarily commercial vendors, for goods and services received by USADF.

#### **I. Contingencies**

The Foundation is a party in various administrative legal actions and claims brought by or against it. According to the Foundation's legal counsel, the likelihood of unfavorable outcomes for all these legal actions and claims is remote. In the opinion of the Foundation's management, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of the Foundation.

#### **J. Annual, Sick, and Other Leave**

Annual, sick, and other leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the Foundation calculates the value of the accrued annual leave at the end of the year based on current pay rates.

Funding for payment of accrued annual leave at the end of the year will be taken from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

**K. Retirement Plan**

The Foundation's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). The Foundation makes statutory contributions to the Office of Personnel Management for employees enrolled in each plan. The Foundation does not report accumulated assets, plan benefits or unfunded liabilities, if any, attributable to its employees. The Office of Personnel Management reports such amounts.

**L. Trust Fund**

The Foundation maintains a Trust Fund with the U.S. Treasury in accordance with its gift authority.

**Note 3. Fund Balances with Treasury**

A. Fund Balances:

	<u>FY 2009</u>	<u>FY 2008</u>
General Funds	\$ 35,808,570	\$ 31,431,866
Trust Fund	36,154	46,633
Total	<u>\$ 35,844,724</u>	<u>\$ 31,478,499</u>

B. Status of Fund Balance with Treasury:

	<u>FY 2009</u>	<u>FY 2008</u>
Unobligated Balance		
Available	\$ 5,363,781	\$ 3,558,027
Unavailable	3,137,969	2,708,310
Exempt from apportionment	36,154	41,158
Obligated balance not yet disbursed	<u>27,306,820</u>	<u>25,171,004</u>
Total	<u>\$ 35,844,724</u>	<u>\$ 31,478,499</u>

C. Other information:

	<u>FY 2009</u>	<u>FY 2008</u>
Unused funds in expired appropriation that are returned to Treasury at the end of a fiscal year	<u>\$ 1,233,672</u>	<u>\$ -</u>

**Note 4. Cash and Other Monetary Assets**

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. September comparative balances are summarized below

	<u>FY 2009</u>	<u>FY 2008</u>
EcoBank Mali	1,791,968	1,815,085
Stanbic Bank of Uganda	1,449,909	790,488
EcoBank Benin	1,098,828	580,206
Barclays Bank of Botswana	1,020,386	1,020,934
Cape Verde	707,001	726,110
National Bank of Malawi	673,333	-
Banque Commerciale du Rwanda	546,191	572,578
Zenith Bank Nigeria – Kano	404,908	1,044,143
EcoBank Guinea	367,572	588,404
Standard Chartered Ghana	342,508	577,469
EcoBank Senegal	200,479	220,706
Zenith Bank Nigeria – Kaduna	291,810	143,498

First National Bank Swaziland	84,384	88,816
Citibank Nigeria	33,473	43,211
Standard Chartered Zambia	<u>32,997</u>	<u>65,276</u>
Total Funds Held Outside Treasury	<u>\$ 9,045,747</u>	<u>\$ 8,276,924</u>

**Note 5. Accounts Receivables, Net**

All accounts receivable consist of collectibles from grantees when USADF funds are found to be used for unintended purpose, or for ineligible or unsupported costs. A 100% allowance for uncollectible amounts is estimated as USADF has little prior history of collection activities. USADF's accounts receivables, net of September 30, 2009 and 2008 are summarized below:

	<u>FY 2009</u>	<u>FY2008</u>
Accounts receivables	\$ 937,509	\$ 925
Allowances for loss on accounts	<u>(937,509)</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 925</u>

**Note 6. Advances**

USADF's advances as of September 30, 2009 and 2008 are summarized below:

	<u>FY 2009</u>	<u>FY2008</u>
Grants	\$ 2,431,168	\$ 2,086,286
Travel	<u>-</u>	<u>4,600</u>
Total	<u>\$ 2,431,168</u>	<u>\$ 2,090,886</u>

**Note 7. Property, Plant and Equipment, Net**

Equipment is capitalized at cost if the initial unit acquisition cost is \$5,000 or more and service life is two years or more. Equipment with an acquisition cost of less than \$5,000 or less than two years of life is expensed when purchased.

USADF's property, plant, and equipment as of September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY 2008</u>
Equipment, at cost	\$ 1,483,225	\$ 1,343,751
Accumulated depreciation	<u>(875,045)</u>	<u>(667,129)</u>
Equipment, net	<u>\$ 608,180</u>	<u>\$ 676,622</u>

**Note 8. Other Liabilities**

Other liabilities represent amounts accrued for employee payroll and annual leave.

	<u>(Current) FY 2009</u>	<u>(Current) FY 2008</u>
Employees' accrued salary	\$ 170,766	\$ 152,031
Accrued annual leave	<u>318,962</u>	<u>248,418</u>
Total	<u>\$ 489,728</u>	<u>\$ 400,449</u>

**Note 9. Leases**

The space in which the Foundation Headquarters operates is leased by the Foundation through Ten year lease until May 31, 2018. The total amount of funding commitment is detailed in Table 1.

USADF also enters into year-to-year leases in the countries with established Country Representative Offices.

**TABLE 1 – USADF Headquarters’  
Space Lease – Total Future Payment Due**

Year	Dates	Amount
Year 2	June 1, 2009 - May 31, 2010	\$716,305
Year 3	June 1, 2010 - May 31, 2011	\$734,209
Year 4	June 1, 2011 - May 31, 2012	\$752,584
Year 5	June 1, 2012 - May 31, 2013	\$771,430
Year 6	June 1, 2013 - May 31, 2014	\$806,766
Year 7	June 1, 2014 - May 31, 2015	\$826,868
Year 8	June 1, 2015 - May 31, 2016	\$847,599
Year 9	June 1, 2016 - May 31, 2017	\$868,801
Year 10	June 1, 2017 - May 31, 2018	\$890,474
TOTAL		\$ 7,215,036

**Note 10. Correction of Errors**

On the Statement of Changes in Net Position for fiscal year ended September 30, 2008 a correction was made to the beginning balances of cumulative results of operations and unexpended appropriations. This correction reduced the beginning balance of cumulative results of operations and increased the beginning balance of unexpended appropriations by \$1,247,505. The overall impact of this correction on net position is zero dollars. Since this correction is recorded in FY 2008, so no prior years financial statements were restated.

The cause of errors is due to incorrect entries in past years on recording of donated fund expenses. In addition to the appropriate funds, USADF also has donated funds from other countries. Donated fund expenses should only be closed to cumulative result of operations instead of unexpended appropriations. In prior years some transactions for donated funds were closed to unexpended appropriation account.

Management has taken the following step to correct these misclassifications in the future:

- Management will perform monthly review of Unexpended Appropriation account (3100) to ensure the integrity of trial balance and enter any corrective adjusting entries.

**Note 11. Reconciliation of Net Cost of Operations to Budget**

United States African Development Foundation  
**RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**  
For the Years Ended September 30, 2009 and 2008

	<u>FY 2009</u>	<u>FY2008</u>
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated		
Obligations Incurred	\$39,803,026	\$31,224,438
Less: Spending Authority from offsetting collections & recoveries	<u>(6,208,971)</u>	<u>(2,233,710)</u>
Net Obligations	33,594,055	28,990,728
Other Resources		
Imputed financing from costs absorbed by others	252,754	231,606
Other	<u>649,363</u>	<u>(17,380)</u>
Net Other Resources Used to Finance Activities	<u>902,117</u>	<u>214,226</u>
Total Resources Used to Finance Activities	34,496,172	29,204,954
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>		
Change in budgetary resources obligated for goods, services, And benefits ordered but not yet provided (Increase)	(4,782,822)	(3,357,554)
Other resources or adjustments to net obligated resources That do not affect net cost of operations		17,380
Resources that finance the acquisition of assets	<u>(202,875)</u>	<u>(281,706)</u>
Total resources that do not fund net costs	<u>(4,985,697)</u>	<u>(3,621,880)</u>
Total Resources Used to Finance Net Cost of Operations	29,510,475	25,583,074
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase (decrease) in Accrued Annual Leave Liability	<u>70,545</u>	<u>(8,229)</u>
Total components of Net Cost of Operations that will require or Generate resources in future periods	70,545	(8,229)
<b>COMPONENTS NOT REQUIRING OR GENERATING RESOURCES</b>		
Loss/(gains) on the disposal of assets	-	-
Depreciation and amortization	239,616	215,161
Others	<u>925</u>	<u>(656)</u>
Total components of Net Cost of Operations that will not require or Generate resources	240,541	214,505
Total components of Net Cost of Operations that will not require or Generate resources in the current period	<u>311,086</u>	<u>206,276</u>
<b>NET COST OF OPERATIONS</b>	<u><u>\$29,821,561</u></u>	<u><u>\$25,789,350</u></u>