Office of Inspector General

MEMORANDUM

TO: USADF President and CEO, Shari Berenbach

FROM: Acting AIG/A, Nathan Lokos

SUBJECT: Audit of the U.S. African Development Foundation's Financial Statements for Fiscal Years 2014 and 2013 (Audit Report No. 0-ADF-15-002-C)

With this memorandum, the Office of Inspector General (OIG) transmits the audit report prepared by the certified public accounting firm of GKA, PC, on the financial statements as of September 30, 2014 and 2013, of the U.S. African Development Foundation (ADF). OIG contracted with this independent auditor to audit the financial statements.

The independent auditor expressed an unmodified opinion on ADF's fiscal year 2014 financial statements and notes. The report states that the financial statements presented fairly, in all material respects, ADF's financial position, the net cost of operations, the changes in net position, and budgetary resources for the years ended September 30, 2014 and 2013, 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 noncompliance with selected provisions of applicable laws and regulations.

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 No. 14-02, "Audit Requirements for Federal Financial Statements".

In connection with our contract, we reviewed the independent auditor's related audit documentation. Our review was different from an audit conducted in accordance with the auditing standards discussed above and was not intended to enable us to express, and we do not express, an opinion on ADF's financial statements. Also, we do not express conclusions on the effectiveness of ADF's internal control or on ADF's compliance with other laws and regulations.

The independent auditor is responsible for the attached auditor's report dated November 6, 2014 and the conclusions therein. Our review disclosed no instances where the independent auditor did not comply, in all material respects, with the auditing standards discussed above.

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
http://oig.usaid.gov

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

gka, p.c.
Certified Public Accountants
& Consultants

1015 18th Street, NW
Suite 200
Washington, DC 20036
Tel: 202-857-1777
Fax: 202-857-1778
www.gkacpa.com

United States African Development Foundation

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2014

Member of the American Institute of Certified Public Accountants

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SECTION I

OVERVIEW

November 6, 2014

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2014 Performance and Accountability Report for the U.S. 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 all applicable laws and regulations.

USADF has a unique African-led development mission in the Federal government. Foundation grants connect community enterprises with seed capital and technical support delivered by a network of local advisors. This empowers those who are least served by existing markets and development assistance to become part of Africa's growth story.

USADF grants result in increased food security and economic growth for more than 1.5 million people across Africa. Further, USADF is pleased to be a part of other "whole of government" initiatives in Africa, including: Feed the Future, Power Africa, the President's Young African Leaders Initiative and the Trade and Investment Capacity Building Initiative. USADF ensures that the benefits of these programs reach Africa's underserved.

Consistent with our commitment to African-led development, USADF's African field operations are 100% staffed by Africans. Not only does this deepen local capacity, but it allows USADF to support hard to reach communities, delivering economic opportunities in post-conflict environments and furthering US strategic interests of peace and security.

USADF is dedicated to creating pathways to prosperity for underserved communities across Africa. 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:

Shari Berenbach
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

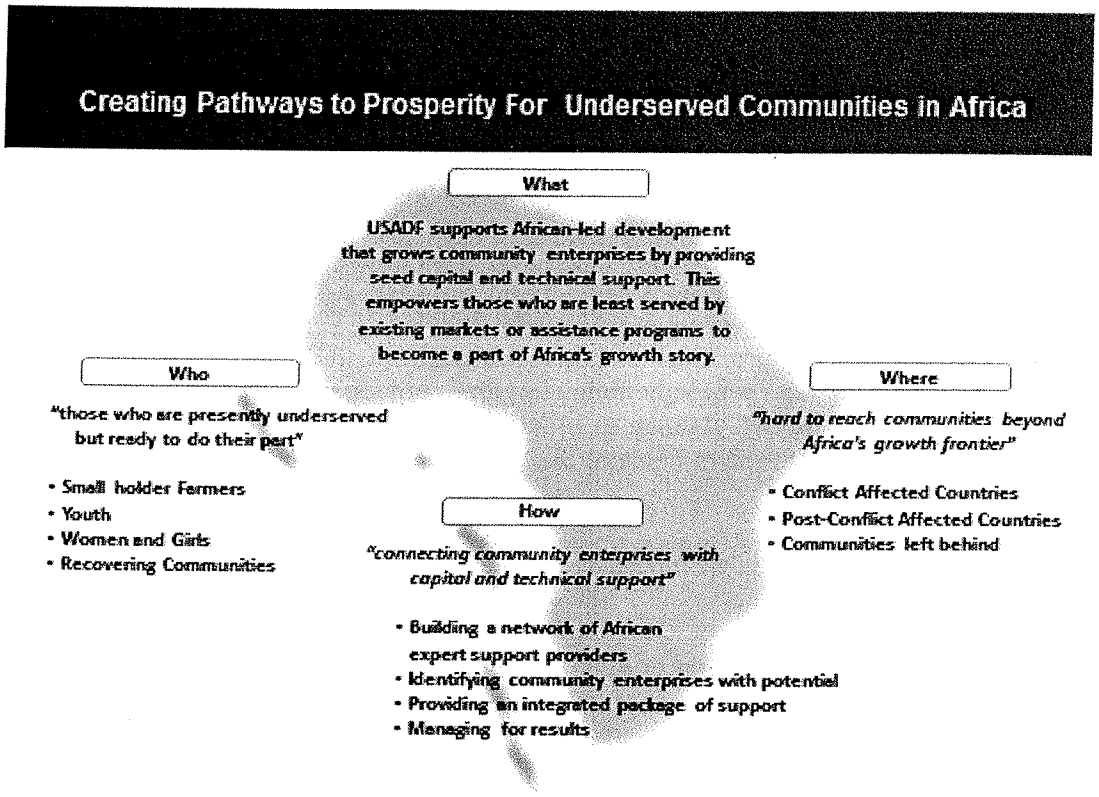
A Successful Model for U.S. Foreign Assistance

Over the past 30 years, the U.S. African Development Foundation (USADF) has established a foreign assistance model that works. USADF is the only U.S. foreign assistance effort dedicated exclusively to development activities in Africa. During this period, USADF has worked in more than 32 countries and has invested more than $260 million in African initiated and led development projects. USADF connects community enterprises with seed capital and technical support delivered by a network of local technical advisors. This empowers those who are least served by existing markets or assistance programs to become part of Africa's growth story.

USADF programs bring the whole of government programs such as Feed the Future, AGOA, Power Africa and YALI to life at the community and grassroots level. USADF grants help smallholder farmers groups improve food security through increased production levels, better marketing, and greater involvement in regional and international export markets. USADF's Power Africa Off-Grid Challenge is supporting local energy entrepreneurs to develop off-grid energy solutions that benefit rural, marginalized communities. As part of YALI, USADF has provided Entrepreneurship Grants to promising YALI Mandela Washington Fellows.

USADF programs are oriented to long-term sustainable development. USADF's unique development model uses only local technical services providers for grant design and implementation support work. This helps build sustainable local development expertise in each Africa country. After the local design work is complete, a U.S. funding component is added to the grant to carry out project plans and acquire other project inputs to achieve outcomes. The intent of most grants is to build up economically profitable enterprises that improve food security and generate better incomes for their members. The benefits do not end with the grant. In FY 2014, approximately 80% of USADF funded grants completed in the past two years were continuing to operate and generate benefits for their members.

In 2013-2014 USADF engaged in a Strategic Planning process, reviewing the current state of development in Africa and considering USADF's comparative advantage. This planning exercise, undertaken with Dalberg, both reaffirmed our core program focus while opening the doors for new opportunities. Specifically, the Dalberg assessment recognized the critical role USADF plays in reaching rural communities underserved by commercial development and most development assistance agencies. It concluded that USADF is uniquely positioned to create pathways to prosperity for underserved communities so that they contribute to and benefit from Africa's growth story. The graphic below shows a summary of how USADF has positioned itself in the context of foreign assistance providers in Africa.



USADF's 2014 Strategic Positioning Summary

History and Relevance Today

USADF is an independent Federal agency established to support African-led development, addressing grassroots economic and social problems. The Foundation is a public corporation with a seven member Board of Directors who are nominated by the President of the United States and are confirmed by the U.S. Senate. Currently five of the seven Board positions are filled. Board members serve staggered, fixed terms of six years. The Board of Directors selects and names the President and CEO of USADF. Members of the current Board of Directors may be found at www.usadf.gov.

USADF is the only U.S. Agency exclusively dedicated to foreign assistance in Africa. USADF works differently from other types of U.S. foreign assistance in Africa in that our legal mandate requires us to award grants to African-owned and managed organizations. Further, by project grant cannot exceed $250,000. USADF provides assistance to Africa through several different types of project grants and cooperative agreements. The majority of the annual budget is allocated for project grants for African enterprises and organizations to increase their production and marketing capabilities that result in higher incomes, food security, and improved livelihoods.

The typical USADF grant budget allocates resources to local groups to improve management capabilities, acquire better production equipment, set up revolving credit funds to help farmers gain inputs needed to improve production capabilities, develop and expand marketing channels, and in some cases, develop shared community resources (e.g. water wells). Cooperative Agreement Grants are used to fund local technical service providers. These grants vary in size and scope according to

need and specific country and regional program objectives.

Working together, the local technical service providers and USADF grant funds catalyze participating groups to achieve more reliable business results and on-going revenue streams. The end result is a sustainable solution that generates revenues, reflows and economic impacts, that often exceed three-fold the original grant value.

Benefits of the USADF Approach

SPEED – USADF's streamlined procedures and model provide U.S. policy makers with a rapid response unit for Africa. USADF introduced its Power Africa Off-Grid Challenge and announced the first round of awards in less than six months following President Obama's launch of this important initiative. USADF was the first US Agency to provide grants to the FY14 Mandela Washington Fellows – allowing the Fellows to return home to their country with a signed entrepreneurship grant agreement.

COVERAGE – USADF's field model, managed on the ground by Africans, allows U.S. foreign assistance dollars to go where other programs cannot send them. This was most recently illustrated by program activities in conflict areas of Zimbabwe, Mali, Nigeria and Somalia. USADF programs continue to operate in Ebola-affected areas of Liberia.

INNOVATION – USADF's small size provides flexibility for greater innovation and experimentation with new approaches to development. In FY 2014, USADF's Off-Grid Energy Challenge funded renewable energy solutions by African Energy Entrepreneurs, using innovation to bring energy to communities beyond the grid. USADF's Entrepreneurship Grants provided to Mandela Washington Fellows supported innovative business strategies by these young African leaders. Since 2011, USADF programs have been providing on the ground results for Feed the Future objectives. USADF's model focuses on responsiveness, local ownership, and greater African participation. These lessons are instructive to the broader development community as it adopts country-led programming.

LOWER COST /SUSTAINABLE MODEL – USADF's model of providing grants directly to marginalized groups in Africa using African technical partners and country coordinators lowers the cost to deliver program oversight and technical support and helps to create a sustainable development capability within each country where it operates. The cost of technical support provided by local technical partners averaged 7 cents per dollar.

RESPONSIVENESS – USADF's can rapidly respond to direct requests from community groups and small businesses to meet locally identified needs and opportunities. USADF's simplified grant application and disbursement processes ensure that the grantee's voice and urgency are not lost in top-down solutions.

USADF Program Impacts

Shared Prosperity for 1.37 Million People

USADF's active[1] portfolio of 336 grants is making a positive difference for more than 1,370,000 people across Africa. These people benefit in practical ways from the more than $139 million of new economic activities generated in their communities as a result of USADF project grants.

The impact of USADF grants is best understood through the life stories of the men and women who have increased their incomes -- translating to better access to nutritional food supplies, improved housing, and greater opportunities to obtain education and health care for themselves and their family members. USADF grants help grassroots groups and local cooperatives take greater advantage of new markets and achieve more consistent business outcomes. These outcomes create a path from poverty to new levels of prosperity, economic empowerment, and food security. The result for people that had been left behind is now a greater level of participation in the shared prosperity of today's Africa, and a greater sense of hope, security, and goodwill toward the United States.

Alignment of USADF and United States Development Priorities in Africa

Greater Food Security, Economic Growth, Trade, and Goodwill

In keeping with the United States' foreign assistance strategy objectives, USADF programs focus on poverty reduction, improved food security, increased opportunities for women and youth, and sustainable, resilient economic development. The brief descriptions below highlight four areas where USADF programs create value and provide results at the local community and farmer level.

Food Security

Over 80 percent of all USADF's programming is focused on agricultural development and food security. In FY 2014, USADF funded $8 million for new projects that support food security objectives in ten of the twelve Feed the Future priority countries in Africa. USADF grants puts working capital into the hands of hard working smallholder farmers to develop lasting food security solutions in geographic areas of greatest need. In FY 2014, these programs helped create more than $22 million of new economic activities that directly benefited 250,000 farmers and family members. USADF grant projects highlighted in Feed the Future publications represent many of the best examples of program results at the community level.

The majority of USADF grants support improved agricultural productivity by providing access to better inputs such as seeds, animal feed, fertilizer, machinery, storage facilities, and irrigation systems. These grants also provide access to improved farming knowledge, training in financial and resource management, support for improved transportation systems, enhanced product storage facilities, better approaches for distribution and marketing systems, and improved access to commercial markets and market information. These activities and investments result in people having better access to reliable food sources and a greater ability to purchase food through higher incomes and sustainable jobs.

[1] Core Program Grants As of September 30, 2014, excludes shelf help small grants, YALI, Power Africa, and Partner Cooperative Agreement Grants.

Trade & Investment

USADF programs provide a pathway out of poverty by linking trade to community producer groups and organizations. In FY 2014, USADF leveraged its collective experience to help ensure that the Africa Growth and Opportunity Act's (AGOA) benefits extend beyond larger small and medium sized enterprises to smallholders and artisans. Such market links helps to close the benefit gap between rural communities and more prosperous urban centers. About 25% of USADF grantees are engaged in regional and/or international trade. As AGOA continues to create better access to global markets, USADF programs will support small farmer groups to develop business strategies and capabilities to actively participate in the broader trade opportunities.

Power Africa

In FY2014, in partnership with General Electric (GE) Africa and the United States Agency for International Development (USAID), USADF launched the Off-Grid energy challenge to support renewable electricity solutions in rural areas. The new program started shortly after POWER AFRICA was first announced by President Obama, USADF awarded two rounds of $100,000 grants given to African Energy Entrepreneurs. The first round was limited to Kenya and Nigeria and resulted in six awards that were announced in November, 2014. Later in FY2014, USADF and is partners conducted Round II of the Challenge, reaching all six Power Africa focus countries, and awarding 22 grants of $100,000 each. Through this Challenge program, USADF has provided $2.8 million in financing and project support for off-grid solutions, renewable energy plans, and other innovations to address the energy gap among rural and marginalized communities in Africa. Total funding benefitted from matching contributions by GE Africa and USAID.

Young African Leaders Initiative

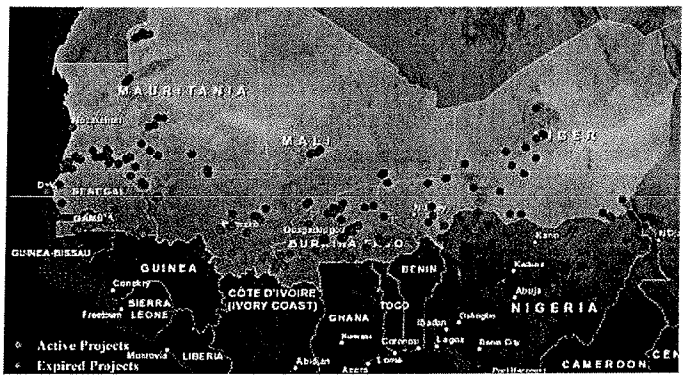
In FY 2014 USADF supported the White House's "Young African Leaders Initiative (YALI)" by establishing the USADF-YALI Entrepreneurship Grants Program. This program provides $25,000 seed capital grants to support the Fellows to launch or expand their enterprise once they return to Africa. In summer 2014 USADF awarded 36 Entrepreneurship grants to the first set of Mandela Washington Fellows. Winning fellows were selected through a business plan competition that included more than a dozen external judges from the financial sector, corporate America, academia and the public sector. In addition to the seed capital, USADF is supporting the young leaders with technical assistance being provided by private sector partners such as Microsoft4Africa and Mara Mentors. The business know-how support will be integrated with our implementing partners and a network of other YALI participants and African entrepreneurs. This special initiative also creates an opportunity for USADF to develop additional private funding sources.

USADF Provides Other United States Development Benefits in Africa

USADF's programs complements and supports the efforts of other U.S. Government entities, particularly extending the reach of broader whole of government initiatives that seek to address national security, diplomacy, and greater transparency in development.

(report continues next page)

National Security in the Sahel and the Horn of Africa



The USADF "Sahel Initiative" places economic development dollars in conflict and post-conflict areas across West Africa to address root causes associated with destabilization. Due to its size and structure, USADF can uniquely provide a rapid development response to priority areas.

USADF programs provide the U.S. with a "soft" diplomacy tool in these regions by focusing on community level economic development and food security projects. Projects typically include water and irrigation, small-holder farming initiatives, and improved livestock care and management. In FY 2014, USADF invested $3.8 million in Sahel Initiative activities in agriculture, livestock management, and water/anti-desertification sectors across Burkina Faso, Guinea, Mali, Mauritania, Niger, and Senegal.

In 2014, USADF programs in the Horn of Africa (Somalia) provided job skills training for over 2,500 youth and placed more than 80% of participants into jobs or assisted them to start up small businesses. This program helps create productive and long-term employment opportunities for youth who are particularly vulnerable to destabilizing and extremist activities in this troubled region of Africa.

Diplomacy

USADF plays an important indirect role in supporting diplomacy between the U.S. and the people of Africa and their governments. By serving areas and populations that other development aid does not reach, in particular in unstable and conflict environments such as in Mali and Niger, Somalia and northern Uganda, USADF's programming provides a bulwark of economic stability that U.S. and African government officials recognize and value. Additionally, USADF's core programs have been noted with favor by present and former African Heads of State, African Ambassadors, and many African Government Ministry Heads. These leaders laud the unique "African Led and Managed" development model and appreciate USADF's focus on helping marginalized communities, regions, and populations to achieve greater prosperity by promoting sustainable enterprise-oriented growth for rural producer groups. The USADF Self Help Grants Program provides U.S. Ambassadors with additional resources for small community oriented grants to support worthy, high need, and often highly visible community projects. These grants become tangible expressions of U.S. goodwill, and generate favorable public sentiment toward the U.S and the U.S. Embassy presence.

Reporting and Transparency

The U.S. Government seeks to model openness, accountability, and good governance practices in all it does domestically and internationally. USADF is an active participant in the USG "Open Government Initiative," the newly launched Foreign Assistance Dashboard program (see www.foreignassistance.gov/web/Agency_USADF.aspx), and the whole of government Feed the Future Monitoring System.

A Foreign Assistance Model with a Difference

Direct Funding to African Producer Groups

The USADF model cuts out traditional, and inefficient, "middle-man" development cost structures and delivers grant funds directly to the grassroots groups closest to the problem. They are the long-term owners of the solution. This approach also adds speed and efficiencies to the development process.

All African Staff and Partners

USADF's development model uses only local technical services providers for grant design and implementation support work. Not only does this lower delivery costs, but by drawing upon people with local language skills and knowledge, projects are right-sized to the conditions and local reality of the communities served. Further, this use of local technical service providers helps to build sustainable local development expertise in each African country where they reside.

Sustainable Growth

USADF grants are transformative for small-holder producer groups. Relatively small grant investments to qualified producer groups help them become viable long term economic enterprises. USADF grants achieve this by helping groups profitably improve production, move up the value-chain, improve marketing, and improve business management practices.

Complements other USG Initiatives

USADF's programs complement the efforts of other U.S. Government entities, particularly extending the reach of important whole of government initiatives. To strengthen Feed the Future programming, USADF helps to form producers associations that in some instances can later participate in USAID programs. At other times, USADF extends support to communities not reached by others, bringing, Feed the Future programming to eight African countries beyond USAID's priority countries. In support of Power Africa, USADF has conducted its Off-Grid Challenge, setting the stage for the Beyond the Grid initiative. USADF's entrepreneurship grants for the Mandela Washington Fellows was much appreciated by the White House as early, tangible support for the Fellows[2].

Leveraged USG Funds

Sixteen African countries have invested over $26 million of their own scarce resources directly into local USADF programs. These governments recognize that USADF grant programs are achieving sustainable results for their people. In FY 2014, USADF applied $3.3 million of matching donated funds for new grants in 9 countries including Benin, Botswana, Guinea, Malawi, Mali, Nigeria, Rwanda, Senegal, and Uganda. Efforts are underway to renew matching grant programs with three countries.

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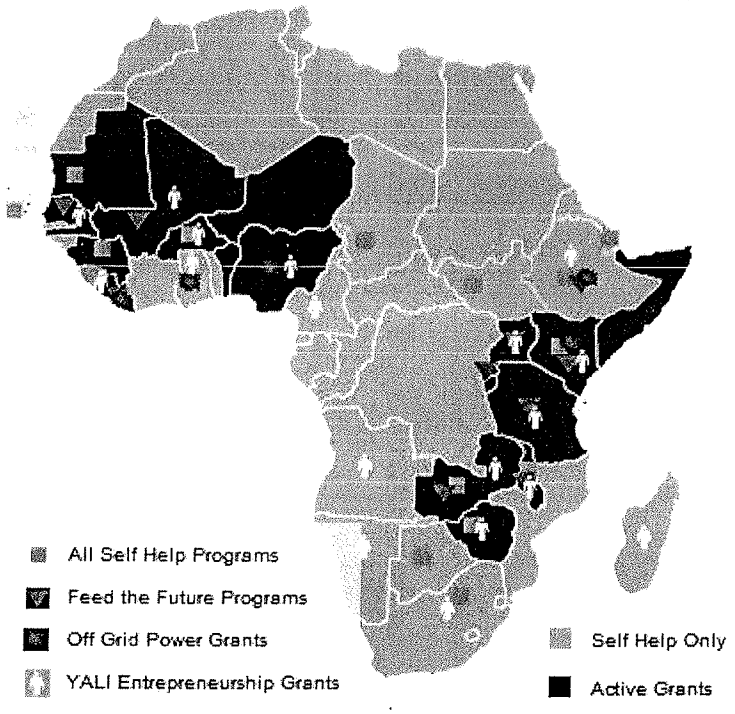
[2] "We won't forget that USADF was the first to the table when we decided to ramp up YALI, and your commitment to invest in these grants helped us gain momentum and achieve our vision." Grant Harris, National Security Council, Excerpts from e-mail, July 29, 2014.

Under its current leadership, USADF is accelerating efforts to raise additional external funds, particularly from U.S. corporate and philanthropic sources. For example, USADF raised matching funds from GE Africa to support the Power Africa Off-Grid Energy Challenge. Discussions are also underway with funders to match USADF funding for upcoming YALI grant awards.

The return on this Federal commitment creates a three-way benefit for both grant recipients in Africa and the U.S. public. *The USADF model establishes the potential for one dollar in USG funds to be matched by a dollar of African host government funds and a dollar of private donor funds.* This leveraged model generates more dollars for grants in Africa and better utilizes the base operating costs needed to meet Federal accountability, security, and reporting procedures.

Program Locations and Funding Levels

As of September 30, 2014, USADF had over 336 active project grants in 20 countries, representing $50 million invested in small enterprises, farmer associations, cooperatives, and community groups that improve food production, increase income levels, and improve social benefits in poor communities. The map and table below shows the number and value of active grants by country. Active projects are all USADF funded grants that have not expired. The icons on the map indicate countries that are a part of USADF support for various foreign assistance programs such as Feed the Future, Power Africa and YALI.



Cou	No.	$M	Disb
UGA	26	5.1	68%
KEN	21	4.3	61%
BEN	29	3.7	48%
RWA	19	3.6	61%
MAL	28	3.6	58%
BUK	20	3.1	44%
ZIM	20	3.1	56%
LIB	22	3.0	40%
ZAM	22	2.9	59%
NIA	26	2.9	53%
NIR	21	2.9	56%
SEN	18	2.4	60%
BUR	14	2.1	48%
MWI	13	2.0	46%
SOM	8	1.9	43%
MAU	17	1.8	47%
TAN	9	1.4	54%
CAP	1	0.1	101%
SOU	1	0.1	0%
GUI	1	0.1	0%
Sub	**336**	**50.3**	**54%**
YAL	36	0.9	1%
PWR	28	2.6	12%
SHS	48	0.4	44%
Sub	**112**	**3.9**	**12%**

Map and Table of Active Grants[3] by Country in FY 2014

[3] Counts all project grants not expired on September 30, 2014 and excludes Partner Cooperative Agreement Grants.

FY 2014 Program Funding Performance

As of September 30, 2014 USADF achieved its funding goal of placing over $18.6 million of new project grants in Africa against a target of $18.5 million. The country by country performance is shown in the table below:

Table of New Grants Funded in FY 2014 by Country

COU	Target	Actual YTD	% Achived	Grants
BEN	1000	1048	105%	11
BUK	750	815	109%	5
BUR	650	624	96%	3
GUI	230	276	120%	2
LIB	500	422	84%	3
MAU	600	609	102%	6
MLI	650	712	110%	7
NIR	800	734	92%	7
RWA	825	780	95%	5
SEN	800	807	101%	7
KEN	678	682	101%	4
MWI	600	577	96%	6
SOM	1600	1482	93%	11
TAN	600	581	97%	5
UGA	1600	1598	100%	10
ZIM	825	912	111%	8
NIA	1073	1094	102%	10
ZAM	900	924	103%	7
SSUD	150	80	53%	1
POWER	2400	2589	108%	27
SMG	400	374	94%	48
YALI	900	893	99%	36
TOTAL	**18,531**	**18,613**	**100%**	**229**

USADF Operations and Program Management

USADF takes its mission and operational management responsibilities seriously and is constantly looking for new ways to establish greater degrees of cost efficiencies and improve areas of program effectiveness. USADF management conducts biweekly reviews of department operating budgets and key grant-making activities. Program management teams utilize quarterly grantee self-reporting, in-country monitoring, and technical support from Country Program Coordinators and implementing Partner Organizations to oversee grant performance. USADF Washington program staff conducts

periodic on-site visits to support the grant monitoring and the critical project selection activities. Overall operational and program performance trends have continued to be positive.

Improved Donated Funds Utilization

In 2014, USADF received $2.7 million in Strategic Partner (SP) funds and applied $3.3 million toward FY 2014 projects. The table below shows the progress USADF has achieved in closing the lag time between receipt and use of donated funds. USADF now fully utilizes donations within 12 – 18 months of receipt.

Donated Funds	2009	2010	2011	2012	2013	2014
Donated Funds Collected	$3.3M	$4.8M	$0.8M	$1.3M	$1.3M	$2.7
Donated Funds Applied to Projects	$4.0M	$2.9M	$2.5M	$1.6M	$1.8M	$3.3

Improved Internal Controls

In 2014, the USADF Internal Audit Unit continued 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. Audits are conducted by USAID Inspector General approved audit firms.

Financial Audit Types	FY13 Scheduled	FY13 Completed	FY14 Scheduled	FY14 Conducted
Projects Grants	68	68	63	63
Partner Grants	15	15	17	17
Coordinator Offices	6	6	8	8

In FY 2014 USADF had several external audits conducted including the annual FISMA audit, the Annual Financial Audit, and two Office of the USAID Inspector General (OIG) program audits in Kenya and Burkina Faso. All program audit findings for the Kenya OIG audit conducted in August 2013 were closed by December 2014. The Burkina Faso audit was conducted in May 2014 with no funds accountability findings. The draft report notes that grantees were trained to manage their associations and benefited from infrastructure and equipment improvements.

Program Quality Assurance through Monitoring and Evaluation

Achieving positive program results is more than a matter of program efficiencies. It also requires accountability, evidence-driven approaches, effective monitoring of grant activities, and the regular evaluation of programs. These management actions provide the information necessary to assess program effectiveness, to learn from experiences, and to plan for future programs and resource allocations.

Acting on Monitoring and Evaluation Evidence

Closely tracking the progress of grant implementation plans and budgets is an important grant management function to increase successful grant outcomes. Monitoring can identify early problems and ensure that additional support is applied, and provide necessary evidence for impact assessments. The Regional Director and Field Operations staffs are responsible for ensuring Partners Organizations provide quality technical support to Grantees consistent with the terms of their

cooperative agreements. Monitoring includes regular reviews of Grantees' quarterly reports, and regular sites visits to Grantees by Partner Organizations and by USADF staff. Each project grant with a value greater than $100,000 also receives an independent financial audit on its use of USADF grant funds. At the end of a grant, a Grant Close-Out procedure is completed for each grant. The close out process includes a final accounting of grant funds, an assessment of the grant's outcomes, and a determination on the sustainability of the project.

Every six months, Regional Directors conduct a detailed review of all active grants in their regions to monitor and assess individual project performance and to determine the overall effectiveness of grant programs within their regions. Assessments are performed based on information received from site visits and quarterly grant progress reports. The results are then summarized and presented to USADF management in a Bi-annual Program Review meeting and report in April and October of each year. The Bi-annual Program Review helps establish clear lines of accountability and responsibility for the overall program results and program effectiveness.

The Bi-annual Program Review process provides for an extensive assessment of all active grants and their achievement of project specific activity, output, and outcome performance indicators. The process incorporates an evidence-based approach to monitoring. The focus of the assessment process shifts as a grant progresses through its project lifecycle. During the early stages of the grant, the grading focuses on project activities such as training, acquiring new equipment, or establishing new production capabilities. At the middle stage of the grant, the assessment model looks more closely at how output targets are being achieved against goals set at the beginning of the project.

Typical output measures include increased production targets and sales revenue goals compared to baseline values established at the beginning of the project. In the final phase of the grant, the assessment focus shifts to grant outcomes. Outcomes are typically measured in terms of increased income levels and the numbers of people directly benefiting from the project. This approach allows for USADF staff and partners to track grant progress in a near "real-time" manner so that grantees can make the adjustments to their implementation plans in order to achieve better project outcomes.

The table below is a copy of a recent Bi-annual Program Review. It contains summary performance assessment information about individual grants within a particular country. The review includes evaluations from both implementing in-country partner staff and USADF Washington staff. Based on the review, grants are given a performance grade using a standard grading and assessment template. Grants with lower grades (C – F) are given special attention from Partner Organizations to help remediate the project difficulties. As a last resort, grants with failing grades may be terminated. The review keeps USADF focused on results.

Portfolio Performance Status for Period: Active on 3/31/14 or later, Disbursement values current through 3/31/14; Grades per 4 quarters of data ending Dec 31, 2013.

	*Active Projects	Active Value (USD)	% Value Disb TD	FY13 Days 2nd Disb[4]	GPA	Project GRADES[6]				
						A	B	C	D	F
Benin	24	3,582,006	56%	110	3.1↓	7	9	3	1	0
Burkina Faso	22	3,158,946	43%	118	3.0↑	7	10	2	1	1
Burundi	13	1,712,865	45%	120	3.1	5	6	0	0	1
Guinea	2	490,000	75%	N/A	N/A	-	-	-	-	-
Liberia	21	2,703,023	42%	53	2.1↓	2	3	6	6	0
Mali	21	2,928,819	57%	86	3.2↓	6	7	5	0	0
Mauritania	23	3,029,455	70%	103	3.0↑	8	7	7	0	0
Niger	18	2,749,947	60%	117	3.2↑	7	6	2	1	0
Rwanda	18	3,323,388	66%	118	3.2↑	9	5	2	0	1
Senegal	15	1,961,454	46%	85	3.3↑	8	4	1	1	0
Kenya	21	4,356,591	48%	112	3.1↑	5	10	4	0	0
Malawi	11	2,306,239	53%	110	3.5↑	6	3	1	0	0
Tanzania	8	1,317,108	76%	63	2.0↓	3	0	1	0	3
Uganda	21	3,910,119	61%	93	3.4	9	4	3	0	0
Zimbabwe	12	1,903,357	70%	112	3.5↑	5	5	0	0	0
Somalia	9	1,898,826	75%	178	3.7↑	6	2	0	0	0
Cape Verde	8	847,465	76%	N/A	2.9↓	0	7	1	0	0
Nigeria	22	2,591,027	62%	90	3.5↑	11	10	0	0	0
Zambia	20	2,656,586	76%	125	3.2↑	10	5	3	2	0
Power Africa	11	649,214	11%	188						
Total	320	48,076,435	58%	110↓	3.1↑	114	103	41	12	6
Small Grants	57	371,106	87%							

1 Active Projects = any grant that expires after 3/31/14, (not Partner CAs or Self Help Small Grants)
2 Active Value = sum of obligated USD amount for all active grants, (not Partner CAs or Self Help Small Grants)
3 % Disb = sum of all disbursement for active grants through 3/31/14 in USD / Active Value
4 Avg Days to 2nd Disbursement equals the average days from obligation date to 2nd disbursement date for FY13 projects disbursed in FY13 and FY14 - the goal is 135 days. (Note, in April 2015, the review period will shift to disbursement of FY14 grants.)
5 Date when last Comprehensive Portfolio Review was conducted by Regional Director and field team.
6 Grades of projects that were active on 3/31/14, and are at least six months old with one QR submitted.
A = 80% or better project achievement levels ,and meets disbursement plans, and provides quality quarterly reports on time.
B = 50% or better project achievement levels, and meets disbursement plans, or provides quality quarterly reports on time.
C = 50% or better project achievement levels, or meets disbursement plans, or provides quality quarterly reports on time.
D= meets none of the performance categories, or three consecutive "C"s.
F= after two consecutive "D" grades.

Percent Projects graded 81%↑ = 276 / 320; (41% A, 37% B, 15% C, 4% D, 2% F)

Evaluation

In addition to extensive internal and field based monitoring of grants, USADF also uses external, independent program evaluations to understand overall program effectiveness and impact. Such evaluations are conducted on a strategic basis and to meet specific and targeted programmatic goals. In FY 2014 USADF had three external program assessments in Malawi, Uganda, and Somalia.

The Uganda assessment was conducted by the Uganda Auditor General and resulted in USADF receiving a Certificate of Recognition from the Ministry of Finance, Planning and Economic Development, Government of Uganda, for a Best Performing Project. The award highlighted

areas of excellence for financial management systems, timely reporting, efficient use of grant resources, and improved household incomes.

The Malawi program assessment was conducted by the Malawi Institute of Management and concluded that USADF programs in Malawi contributed to national development policy objectives, led to significant increases in income levels, and increased the number of female wage earners to six times higher than the national average.

A Somalia program assessment was conducted in FY 2014 by an external researcher from George Washington University concluded that "80% of the total surveyed had become employed through job placements or entrepreneurship; with mean earnings increasing almost 3 times; and 35% of the graduates from the original 6 grantees have remained employed for 1 year or longer. The findings also showed that program completion had a significant impact on the household with 42% of participants reporting an increase in the frequency of meals. Furthermore, 69% reported being able to send their children to school, 88% indicated that they were able to access healthcare, and 63% indicated that they were able to cover their household expenses 'frequently' or 'always'." The assessment recommended that USADF adjust their program to include greater follow up monitoring and support for placement graduates to help insure tracking on sustainable employment objectives. USADF made an adjustment to the FY 2015 program plans to include dedicated monitoring and support resources.

Building Agency Capacity

In FY 2014, USADF continued to take steps to improve its ability to gather and utilize evaluation information to improve program effectiveness and cost efficiencies. Actions in FY 2014 included the procurement and implementation of new Grant Management System to support greater integration with USADF financial accounting systems, the simplification of internal business processes, improving access to program information and achieving greater levels of information security.

USADF's bi-weekly program status meetings and its bi-annual program reviews create an opportunity for Field Operations staff and USADF management to access what is working and what areas require adjustments. USADF is refining its internal annual budgeting processes to ensure a greater linkage between strategic program priorities and resource allocations. The improvements also include a higher degree of participation by budget managers that in turn leads to greater ownership and accountability for results.

(report continues next page)

Analysis of Financial Statements

USADF is pleased to report that in FY 2014 the Foundation continued to receive an unmodified opinion on all financial statements from its independent auditors, GKA, P.C. Since FY 2009, USADF has received unqualified/unmodified opinions on the Balance Sheet, the Statement of Net Costs, the Statement of Changes in Net Position, and the Statement of Budgetary Resources.

Assets

USADF's *Fund Balance with Treasury* increased, from $33.9 million at the end of FY 2013 to $36.8 million at the end of FY 2014. The increase of $2.9 million can be attributed to an increase of unobligated funds carried forward from FY 2013 and a non- expenditure transfer from USAID.

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 strategic partnership is in effect. These assets decreased, from $4.1 million at the end of FY 2013 to $3.6 million at the end of FY 2014. Pledges have decreased from FY 2013; however, disbursements continue to be made.

Other decreased from $2.3 million at the end of FY 2013 to $1.1 million at the end of FY 2014. In the third Quarter of FY 2014, grantees were found to have expensed 80% of the funds disbursed, resulting in a grant advance entry recorded at 20%.

Liabilities and Net Position

Liabilities increased slightly from FY 2013 to FY 2014. USADF's *Net Position* (the sum of the Unexpended Appropriations and Cumulative Results of Operations) at the end of 2014 as shown on the Balance Sheet and the Statement of Changes in Net Position was $41.5 million, a $1.8 million increase from the previous fiscal year's balance of $39.7 million. *Unexpended Appropriations* of $36.8 million represents funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2014.

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, slightly decreased from $21.5 million in FY 2013 to $21.2 million in FY 2014. Forty-six percent of USADF's non-program expenses are related to payroll. Thirty-seven percent relates to rent, travel, supplies, publications, training, contractual services, and information technology. The remaining seventeen percent relates to the on-the-ground presence that USADF maintains in African countries with the field coordinator offices.

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 2013 appropriations were $30 million; its FY 2014 appropriations are $30 million. USADF received $2,087,908 in donations from strategic partners and other donations, representing an increase of approximately $557,189 from the $1.5 million received in FY 2013.

Unobligated Balances decreased from $7.5 million at the end of FY 2013 to $5.9 million at the end of FY 2014. The *Obligations Incurred* line increased from $28.9 million in FY 2013 to $36.2 million in FY 2014. The increase of $7.3 million is due, among other factors, to the increase in costs associated with administration of grants in the field.

ANNUAL ASSURANCE STATEMENT

U.S. African Development Foundation's (USADF) management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). USADF is able to provide an unqualified statement of assurance that the internal controls and financial management systems meet the objectives of FMFIA. USADF uses the Oracle Federal Financial System hosted by the Administrative Resource Center (ARC) within Treasury's Fiscal Service. Therefore, our assertion of assurance is based on the administrative controls within USADF as well as the Statement on Standards for Attestation Engagements (SSAE) 16 Report on ARC/FS Oracle Federal Financial System and related complementary controls in place at ARC.

The USADF management is additionally responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with all applicable laws and regulations. USADF assesses the effectiveness of its own internal controls and relies on the Treasury Fiscal Service's internal assessment of its internal controls at ARC. Based on the results of USADF's own internal assessments and our review of our service provider assessment results, USADF provides unqualified assurance that internal controls over financial reporting as of September 30, 2014 are operating effectively; no material weaknesses have been found in the design or operation of the internal controls over financial reporting.

Shari Berenbach
President and CEO
U.S. African Development Foundation
November 6, 2014

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 concentrates its efforts on assessing compliance with USADF financial policy and practices at the Country Coordinator Offices, USADF Partner Organizations, and the USADF project grantees. An Internal Audit Report and follow-up project plan will follow each assessment.

In 2014, the USADF Internal Audit unit continued implementing a systematic plan to review the financial management and accounting for USADF funds provided to project grants, partner grants, and country coordinator offices. During FY 2014, USADF oversaw field audits for 63 grants, 8 Country Coordinator offices, and 17 Partner Cooperative Agreement grants.

Improper Payments Elimination and Recovery Act (IPERA) Reporting Detail

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) requires agencies to review their programs and activities increasing efforts to recapture improper payments by intensifying and expanding payment recapture audits. All agencies are required to develop a method of reviewing all programs to identify those that are susceptible to significant erroneous payments. "Significant" means that an estimated error rate and a dollar amount exceed the threshold of 2.5 percent of programs outlays and $10 million of total program or activity payments made during the fiscal year reported or $100,000,000 regardless of the improper payment percentage of total program outlays.

During FY 2014, USADF reports no improper payments.

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

USADF achieved several significant steps forward in 2014 programs. Working from a base budget of $30 million, dealing with a government shut down and several continuing resolutions (CRs) USADF was able to provide over $24 million of quality grants and technical resources to improve food security, increase income levels, and generate job opportunities for more than 95,000 members from rural and underserved community enterprises in Africa. The $24M of new grants included the successful launch of two new program areas to support foreign assistance priorities in youth leadership, and off gird energy initiatives. USADF successfully completed a long term strategic planning process to better position USADF as a leader in grassroots development in Africa.

In 2014, USADF collected over $2.7 million of new donated funds and used over $3.4 million of existing donated funds to stretch U.S. tax dollars further in reaching under-served communities.

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 2011 through 2014.

Comparative Performance Table:

Measure	FY 2011 Results	FY 2012 Results	FY 2013 Results	*FY2014 Target*	FY 2014 Results
Development Grant Funding Levels[1]	$26 million	$20 million	$18.9 million	*$23.5 million*	$24 million
Operating Expense Ratio[2]	28[3]%	30%	31%	*31%*	31%

[1]Cooperative Agreement Grants and Project Grants including use of Strategic Partner Funds
[2]Operating Expenses / Current Year Appropriations
[3]Lower Value due to prior year timing of office lease payments

Development Grants and Partner Cooperative Agreement funding levels increased 27% from $18.9 million in 2013 to $24 million in 2014 due to an increased use of donated funds and better utilization of appropriated funds. The target of $23.5 million in grant funding was achieved through an increase in programming capacity and new fund raising efforts.

Operating Expense levels declined over a five year period from a high of $11.3 million FY 2009 to $9.3 million in FY 2014, a net reduction of 18%. Note that the decline in operating expenses and concurrent increase in programming levels shows USADF making productivity and efficiency gains. USADF management will continue to streamline internal processes to add efficiencies and lower overall program to expense ratios. However, there remain a number of cost factors outside USADF control such as increases in costs charged by shared services providers.

Other Program Performance Indicators

A detailed set of USADF performance indicators are displayed in the table below. Changes in performance indicators varied some showing improvements in FY 2013 and others declining. The

declines are primarily attributable to due to the effect of prior years' SME "heavy" portfolio that contained a number of larger enterprise grantees that that skewed revenue and membership size numbers. Consequentially the "investment multiplier" (IM) is declining along with cumulative revenue growth. The IM tracks the net increase in sales revenues for the grant organization for each USADF dollar provided to that enterprise. While the percentage of women increased the overall size of the funded organizations are scaling back to historical norms. Other operational measures showed general improvement.

Key Performance Indicators FY 2013

(FY 2014 Indicators are still being finalized at the time of this report. We expect the final report to be completed by the end of March, 2015)

Indicator	FY11 Actual	FY12 Actual	FY13 Actual
Cumulative Revenue Growth, active and recently expired (USD thousands)	$70,315	$96,007	$92,743
Investment Multiplier, active and recently expired	**3.5**	**3.5**	**2.8**
Owners, Full-Time Workers, and Principal Raw Material Suppliers or Farms, active	230,000	336,623	198,253
Women As Percent of Owners, Workers, Members and Suppliers	38%	42%	47%
Sustainability, expired grants	**78%**	**79%**	**86%**
Funds received from Strategic Partner countries (USD)	756,244	1,327,383	1,511,000

November 6, 2014

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

MESSAGE FROM THE CFO

I am pleased to present, as part of the Foundations's FY 2014 Performance and Accountability Report the FY 2014 Financial Statements for the United States African Development Foundation (USADF). USADF once again received an unmodified (clean) opinion on the FY 2014/2013 comparative financial statements. These financial statements and the performance results presented here are complete, reliable, and have been prepared in conformance with applicable generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board. USADF utilizes a shared services provider for its accounting, procurement, and human resources services. We are responsible for overseeing and ensuring that USADF's administrative and fiscal accounting systems for the year ended September 30, 2014 are in substantial compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA). We ensure compliance with the act through review of our administrative and oversight role and rely upon the results of our providers' Statement on Standards for Attestation Engagements (SSAE) 16 Reports.

USADF offers a statement of unqualified assurance for the requirements of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). The USADF has appropriate management controls in place to ensure that internal controls are operating in accordance with applicable policies and procedures and are effective in meeting the requirements imposed by the FMFIA and FFMIA.

Lisa Fiely
Chief Financial Officer

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SECTION II

INDEPENDENT AUDITOR'S REPORTS

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gka, p.c.
Certified Public Accountants
& Consultants

www.gkacpa.com

Independent Auditor's Report on Financial Statements

Inspector General, U.S. Agency for International Development, and
Board of Directors and the President,
United States African Development Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of the United States African Development Foundation (USADF), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 applicable provisions of Office of Management and Budget Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

1015 18th Street, NW
Suite 200
Washington, DC 20036
Tel: 202-857-1777
Fax: 202-857-1778

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to USADF's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USADF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States African Development Foundation as of September 30, 2014 and 2013, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis be presented to supplement the basic financial statements referred to in the first paragraph of this report. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in the *Message from the President*, *Message*

from the CFO, and Section IV: Other Accompanying Information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 6, 2014, on our consideration of USADF's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USADF's internal control over financial reporting and compliance.

GKA, P.C.

Washington, DC
November 6, 2014

gka, p.c.
Certified Public Accountants
& Consultants

Independent Auditor's Report on Internal Control over Financial Reporting

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Inspector General, U.S. Agency for International Development, and
Board of Directors and the President,
United States African Development Foundation:

We have audited, 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 applicable provisions of Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States African Development Foundation (USADF), which comprise the balance sheet as of September 30, 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2014.

In planning and performing our audit of the financial statements, we considered USADF's internal control over financial reporting (internal control) to determine 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. Accordingly, we do not express an opinion on the effectiveness of USADF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982.*

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. A *material weakness* is a deficiency, or a 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. 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.

1015 15th Street, NW
Suite 200
Washington, DC 20036
Tel: 202-857-1777
Fax: 202-857-1778

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted a certain matter involving internal control and its operation that we reported to management of USADF in a separate letter dated November 6, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of USADF's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USADF's internal control. Accordingly, this communication is not suitable for any other purpose.

GKA, P.C.

Washington, DC
November 6, 2014

gka, p.c.
Certified Public Accountants
& Consultants

www.gkacpa.com

Independent Auditor's Report on Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements

Inspector General, U.S. Agency for International Development, and
Board of Directors and the President,
United States African Development Foundation:

We have audited, 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 applicable provisions of Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the United States African Development Foundation (USADF), which comprise the balance sheet as of September 30, 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2014.

As part of obtaining reasonable assurance about whether USADF's financial statements are free from material misstatement, we performed tests of USADF's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on USADF's compliance.

1015 18th St. N.W.
Suite 200
Washington, DC 20036
Tel: 202.857.1777
Fax: 202.857.1778

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering USADF's compliance. Accordingly, this communication is not suitable for any other purpose.

GKA, P.C.

Washington, DC
November 6, 2014

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SECTION III

FINANCIAL STATEMENTS AND NOTES

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U.S. AFRICAN DEVELOPMENT FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 36,838,220	$ 33,876,612
Total Intragovernmental	36,838,220	33,876,612
Cash and Other Monetary Assets (Note 3)	3,602,373	4,135,650
Accounts Receivable, Net (Note 4)	1,605	16,962
Property, Equipment, and Software, Net (Note 5)	739,231	343,744
Other (Note 6)	1,139,394	2,346,286
Total Assets	$ 42,320,823	$ 40,719,254
Liabilities:		
Intragovernmental		
Other (Note 8)	$ 22,882	$ 435,690
Total Intragovernmental	22,882	435,690
Accounts Payable	179,006	71,263
Other (Note 8)	605,089	543,317
Total Liabilities	$ 806,977	$ 1,050,270
Net Position:		
Unexpended Appropriations	$ 36,800,340	$ 35,558,076
Cumulative Results of Operations	4,713,506	4,110,908
Total Net Position	$ 41,513,846	$ 39,668,984
Total Liabilities and Net Position	$ 42,320,823	$ 40,719,254

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Program Costs:		
Foreign Grant Program:		
Gross Costs (Note 11)	$ 21,216,909	$ 21,538,941
Less: Earned Revenue	10,225	(10,225)
Net Program Costs	$ 21,227,134	$ 21,528,716
Costs Not Assigned To Programs	$ 9,024,160	$ 9,160,571
Net Cost of Operations (Note 10)	$ 30,251,294	$ 30,689,287

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Cumulative Results of Operations:		
Beginning Balances	$ 4,110,908	$ 5,396,656
Budgetary Financing Sources:		
Appropriations Used	28,519,065	27,343,694
Donations and Forfeitures of Cash and Cash Equivalents	2,087,908	1,530,719
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 12)	246,919	529,126
Total Financing Sources	$ 30,853,892	$ 29,403,539
Net Cost of Operations	(30,251,294)	(30,689,287)
Net Change	602,598	(1,285,748)
Cumulative Results of Operations	$ 4,713,506	$ 4,110,908
Unexpended Appropriations:		
Beginning Balances	$ 35,558,076	$ 35,008,410
Budgetary Financing Sources:		
Appropriations Received	30,000,000	30,000,000
Appropriations Transferred In/Out	700,000	-
Other Adjustments	(938,671)	(2,106,640)
Appropriations Used	(28,519,065)	(27,343,694)
Total Budgetary Financing Sources	1,242,264	549,666
Total Unexpended Appropriations	$ 36,800,340	$ 35,558,076
Net Position	$ 41,513,846	$ 39,668,984

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 7,544,292	$ 5,747,831
Recoveries of Prior Year Unpaid Obligations	2,722,432	1,230,437
Other changes in unobligated balance	(238,672)	(587,860)
Unobligated balance from prior year budget authority, net	10,028,052	6,390,408
Appropriations	31,337,908	30,011,939
Spending authority from offsetting collections	750,000	41,845
Total Budgetary Resources	$ 42,115,960	$ 36,444,192
Status of Budgetary Resources:		
Obligations Incurred (Note 14)	$ 36,162,507	$ 28,899,900
Unobligated balance, end of year:		
Apportioned	1,496,081	3,143,307
Exempt from apportionment	901,360	1,558,742
Unapportioned	3,556,012	2,842,243
Total unobligated balance, end of year	5,953,453	7,544,292
Total Budgetary Resources	$ 42,115,960	$ 36,444,192
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	$ 30,467,971	$ 31,746,506
Obligations Incurred	36,162,507	28,899,900
Outlays (gross)	(29,420,906)	(28,947,998)
Recoveries of Prior Year Unpaid Obligations	(2,722,432)	(1,230,437)
Unpaid Obligations, End of Year (Gross)	34,487,140	30,467,971
Obligated Balance, End of Year	$ 34,487,140	$ 30,467,971
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 32,087,908	$ 30,053,784
Actual offsetting collections	(750,000)	(41,845)
Budget Authority, net, (total)	$ 31,337,908	$ 30,011,939
Outlays, gross	$ 29,420,906	$ 28,947,998
Actual offsetting collections	(750,000)	(41,845)
Agency outlays, net	$ 28,670,906	$ 28,906,153

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous	$ 14,407	$ 9,329
Total Cash Collections (Note 16)	14,407	9,329
Accrual Adjustments	(5,473)	(358,844)
Total Custodial Revenue	8,934	(349,515)
Disposition of Collections:		
Transferred to Others (by Recipient)	14,407	9,329
Increase/(Decrease) in Amounts Yet to be Transferred	(5,473)	(358,844)
Net Custodial Activity	$ -	$ -

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States African Development Foundation ("USADF" or "the Foundation") is a government-owned corporation established by Congress under the African Development Foundation Act in 1980 and began operations in 1984. The Foundation has a unique mission among U.S. foreign assistance programs, working directly and efficiently 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 ensure 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, and local non-governmental organizations that provide project design, implementation and management support to USADF grant recipients. The Foundation's reporting entity is comprised of Trust Funds and General Funds.

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 underserved and marginalized groups in Africa.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the Foundation. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

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 Foundation in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, *Financial Reporting Requirements* as amended and the Foundation'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 used to monitor and control the Foundation's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury and Cash

Fund Balance with Treasury is the aggregate amount of the Foundation's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. The U.S. Treasury processes cash receipts and disbursements of appropriated funds. Funds held within/outside the Treasury are available to pay agency liabilities. Funds held outside the 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. Following is a list of banks where the funds are maintained and where grant funds are processed: Bank Gaborone of Botswana, Banco Comercial do Atlantico in Cape Verde, Standard Chartered Bank in Ghana, Ecobank in Mali, Zenith Bank in Nigeria, First National Bank of Swaziland in Swaziland, Standard Chartered Bank in Zambia, EcoBank Guinea, EcoBank Benin, Stanbic Bank of Uganda, Banque Commerciale du Rwanda, National Bank of Malawi, and EcoBank Senegal.

E. 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 converted 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.

F. 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 expenditures. The total grant advance is twenty percent of the amount disbursed to the grantee during the quarter. In order to ensure timeliness in reporting grantee expenditures, the Foundation will use estimates to calculate the last quarter's grantee expenditures, based on historical expenditure trends over a five-year period, 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.

G. Accounts Receivable

Accounts receivable can consist of amounts owed to the Foundation 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.

H. 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. USADF's capitalization threshold is $20,000 for individual purchases. Vehicle purchases will automatically be capitalized regardless of the cost. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

I. Advances and Prepaid Charges

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

J. Liabilities

Liabilities represent the amount of monies or other resources 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 With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public 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 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 that 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, Federal Employees' Compensation Act (FECA), and unemployment insurance.

K. 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. Non-vested 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 effective at 50% beginning FY2010 and 100% in 2014.

L. Accrued and Actuarial Workers' Compensation

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

M. Retirement Plans

USADF employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of 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 USADF matches any employee contribution up to an additional four percent of pay. For FERS participants, 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, USADF remits the employer's share of the required contribution.

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 communicating these factors to USADF for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. USADF recognizes the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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.

N. Other Post-Employment Benefits

The USADF 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. 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.

O. 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, and in the note disclosures. Actual results could differ from those estimates.

P. Imputed Costs/Financing Sources

Federal Government entities may receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The USADF recognized imputed costs and financing sources in fiscal years 2014 and 2013 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2013 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2014 and 2013 were as follows:

	2014	2013
Fund Balances:		
Trust Funds	$ 642,414	$ 36,154
Appropriated Funds	36,195,806	33,840,458
Total	$ 36,838,220	$ 33,876,612
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 1,532,900	$ 3,179,461
Unavailable	3,556,012	2,842,243
Obligated Balance Not Yet Disbursed	31,749,308	27,854,908
Total	$ 36,838,220	$ 33,876,612

Note: This table has a variance from the Statement of Budgetary Resources. For more information, please refer to Note 3, Funds Held Outside the Treasury.
No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

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

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

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

NOTE 3. CASH AND OTHER MONETARY ASSETS

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

Cash and other monetary assets balances as of September 30, 2014 and 2013, totaled $3,602,373 and $4,135,650, respectively. The comparative balances are summarized below:

	2014	2013
EcoBank Mali	$ 527,190	$ 678,117
Stanbic Bank of Uganda	1,375,254	1,008,406
Banque Commerciale du Rwanda	66,201	147,102
Bank Gaborone of Botswana	132,494	215,839
EcoBank Benin	841,670	868,707
EcoBank Senegal	66,249	102,068
Banco Comercial do Atlantico, Cape Verde	82,228	196,401
EcoBank Guinea	44,846	100,867
Zenith Bank Nigeria-Kaduna	85,847	102,357
Zenith Bank Nigeria-Kano	156,962	160,589
Zenith Bank Nigeria-Abuja	12,105	30,895
National Bank of Malawi	195,016	507,083
Standard Chartered, Ghana	1,180	2,203
First National Bank Swaziland	15,007	15,580
Standard Chartered Bank, Zambia	124	-564 *
Total Funds Held Outside Treasury	$ 3,602,373	$ 4,135,650

*The prior year balance shows a negative for Zambia, but due to the one-month delay in receiving the bank statements, the disbursements were included in September, and the Foreign Currency Adjustment for the September period was not included. If the September Foreign Currency Adjustment had been included, the Zambia balance would reflect positive.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2014 and 2013, were as follows:

	2014	2013
With the Public		
Employee Receivables	$ 1,605	$ 430
Grant Receivables		683,996
Allowance for Grant Receivables	-	(667,464)
Total Public Accounts Receivable	$ 1,605	$ 16,962
Total Accounts Receivable	$ 1,605	$ 16,962

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2014:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Property & Equipment	$ 1,876,034	$ 1,136,803	$ 739,231
Total	$ 1,876,034	$ 1,136,803	$ 739,231

Schedule of Property, Equipment, and Software as of September 30, 2013:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Property & Equipment	$ 1,655,369	$ 1,311,625	$ 343,744
Total	$ 1,655,369	$ 1,311,625	$ 343,744

NOTE 6. OTHER ASSETS

Other assets account balances as of September 30, 2014 and 2013, were as follows:

	2014	2013
With the Public		
Grant Advances	$ 1,102,055	$ 2,339,024
Country Program Coordinator Advances	30,233	-
Travel Advances	7,106	7,262
Total Public Other Assets	$ 1,139,394	$ 2,346,286

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2014 and 2013 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided.

	2014	2013
Intragovernmental – FECA	$ 2,344	$ 2,344
Unfunded Leave	292,099	298,466
Total Liabilities Not Covered by Budgetary Resources	$ 294,443	$ 300,810
Total Liabilities Covered by Budgetary Resources	512,534	749,460
Total Liabilities	$ 806,977	$ 1,050,270

The FECA liability represents the unfunded liability for actual workers compensation claims paid on 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 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ 2,344	$ -	$ 2,344
Payroll Taxes Payable	20,538	-	20,538
Total Intragovernmental Other Liabilities	$ 22,882	$ -	$ 22,882
With the Public			
Payroll Taxes Payable	$ 3,455	$ -	$ 3,455
Accrued Funded Payroll and Leave	125,196	-	125,196
Unfunded Leave	292,099	-	292,099
Grant Liabilities	184,339		184,339
Total Public Other Liabilities	$ 605,089	$ -	$ 605,089

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	$ 2,344	$ -	$ 2,344
Payroll Taxes Payable	45,772	-	45,772
Custodial Liability	-	387,574	387,574
Total Intragovernmental Other Liabilities	$ 48,116	$ 387,574	$ 435,690
With the Public			
Payroll Taxes Payable	$ 7,311	$ -	$ 7,311
Accrued Funded Payroll and Leave	221,628	-	221,628
Unfunded Leave	298,466	-	298,466
Grant Liabilities	15,912	-	15,912
Total Public Other Liabilities	$ 543,317	$ -	$ 543,317

NOTE 9. LEASES

Operating Leases

The USADF occupies office space in Washington, DC under a lease agreement that is accounted for as an operating lease. The lease term is for a period of ten years, commenced on May 1, 2008, and expires on April 30, 2018. Lease payments increase annually based on the adjustments for operating cost and real estate tax escalations. Below is a schedule of future payments for the term of the lease.

Fiscal Year		Building
2015	$	835,506
2016		856,433
2017		877,831
2018		519,443
Total Future Payments	$	3,089,213

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

NOTE 10. NET COST OF OPERATIONS

Costs by major budget object classification as of September 30, 2014 and 2013 are as follows:

		2014		2013
Personnel compensation	$	3,983,690	$	4,094,760
Personnel benefits		1,153,159		1,439,408
Travel and transportation of persons		484,282		425,444
Rent, communications, and utilities, etc.		996,598		941,187
Printing		21,451		16,126
Other services		3,213,873		2,891,975
Supplies and materials		121,520		124,941
Equipment		246,084		136,173
Land & structures		-		13,122
Grants, subsidies & contributions		20,030,637		20,606,151
Total Net Cost of Operations	$	30,251,294	$	30,689,287

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental costs and revenue represent exchange transactions between the USADF and other Federal government entities, and are in contrast to those with non-Federal entities (the public). Such costs and revenue are summarized as follows:

	2014	2013
Foreign Grant Program		
Public Costs	$ 21,216,909	$ 21,538,941
Public Earned Revenue	10,225	(10,225)
Net Foreign Grant Program Costs	21,227,134	21,528,716
Costs Not Assigned to Programs		
Intragovernmental Costs	2,723,701	2,850,272
Public Costs	6,300,459	6,310,299
Total Costs Not Assigned to Programs	9,024,160	9,160,571
Total Net Cost	$ 30,251,294	$ 30,689,287

NOTE 12. IMPUTED FINANCING SOURCES

USADF recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2014 and 2013, respectively, imputed financing was as follows:

	2014	2013
Office of Personnel Management	$ 246,919	$ 529,126
Total Imputed Financing Sources	$ 246,919	$ 529,126

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/.* The 2015 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category A	$ 9,306,527	$ 8,949,787
Direct Obligations, Category B	23,441,656	18,559,556
Direct Obligations, Category E	3,414,324	1,390,557
Total Obligations Incurred	$ 36,162,507	$ 28,899,900

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

Category E apportionments may be used to apportion funds into future fiscal years.

NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the periods ended September 30, 2014 and 2013, undelivered orders amounted to the following:

	2014	2013
Undelivered Orders	$ 35,114,000	$ 32,452,369
Total Undelivered Orders	$ 35,114,000	$ 32,452,369

NOTE 16. CUSTODIAL ACTIVITY

The USADF is an administrative agency collecting for the General Fund. As a collecting entity, USADF measures and reports cash collections and refunds. These collections are reported as custodial activity on the "Statement of Custodial Activity. For the periods ended September 30, 2014 and 2013, collections totaled $14,407 and $9,329.

NOTE 17. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The USADF has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	2014	2013
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 36,162,507	$ 28,899,900
Spending Authority From Offsetting Collections and Recoveries	(3,472,432)	(1,272,282)
Obligations Net of Offsetting Collections and Recoveries	32,690,075	27,627,618
Other Resources		
Imputed Financing From Costs Absorbed By Others	246,919	529,126
Total Resources Used to Finance Activities	32,936,994	28,156,744
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	(2,661,631)	2,125,574
Resources That Fund Expenses Recognized In Prior Periods	(6,366)	(17,764)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Other	750,000	-
Resources That Finance the Acquisition of Assets	(631,346)	(128,812)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(2,549,343)	1,978,998
Total Resources Used to Finance the Net Cost of Operations	30,387,651	30,135,742
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Not Requiring or Generating Resources		
Depreciation and Amortization	235,859	146,398
Revaluation of Assets or Liabilities	10,225	(10,225)
Other	(382,441)	417,372
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	(136,357)	553,545
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	(136,357)	553,545
Net Cost of Operations	$ 30,251,294	$ 30,689,287

NOTE 18. CONTINGENT LIABILITIES

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, 2014. 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.

SECTION IV

OTHER ACCOMPANYING INFORMATION

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U.S. AFRICAN DEVELOPMENT FOUNDATION
SCHEDULE OF SPENDING
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)

	2014	2013
What Money is Available to Spend?		
Total Resources	$ 42,115,960	$36,444,192
Less Amount Not Agreed to be Spent	(2,397,441)	(4,702,049)
Less Amount Not Available to be Spent	(3,556,012)	(2,842,243)
Total Amounts Agreed to be Spent	$36,162,507	$28,899,900
How was the Money Spent?		
Personnel Compensation	$ 4,153,753	$4,125,565
Personnel Benefits	931,073	906,709
Travel and transportation of persons	479,550	373,942
Rent, Communications, and utilities	917,380	940,383
Printing and reproduction	21,451	16,126
Other contractual services	3,605,325	2,962,264
Supplies and materials	121,521	114,488
Equipment	453,342	77,220
Land and structures	-	13,122
Grants, subsidies and contributions	25,479,112	19,418,179
Total Spending	36,162,507	28,947,998
Unpaid obligations, end of year (gross)	34,487,140	30,467,971
Minus - Unpaid obligations, brought forward, October 1 (gross)	(30,467,971)	(31,746,506)
Recoveries of prior year unpaid obligations	2,722,432	1,230,437
Amounts Remaining to be Spent	6,741,601	(48,098)
Total Amounts Agreed to be Spent	$ 36,162,507	$28,899,900
Who did the Money go to?		
Federal	$ 2,495,249	$2,318,160
Non-Federal	33,667,258	26,581,740
Total Amounts Agreed to be Spent	$36,162,507	$28,899,900