OFFICE OF INSPECTOR GENERAL

AUDIT OF THE UNITED STATES AFRICAN DEVELOPMENT FOUNDATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2012 AND 2011

AUDIT REPORT NO. 0-ADF-13-003-C
November 15, 2012

WASHINGTON, DC

Office of Inspector General

NOV 15 2012

MEMORANDUM

TO: USADF President and CEO, Lloyd O. Pierson

FROM: AIG/A, Tim Cox /s/

SUBJECT: Audit of the U.S. African Development Foundation's Financial Statements for Fiscal Years 2012 and 2011 (Audit Report No. 0-ADF-13-003-C)

With this memorandum, the Office of Inspector General (OIG) transmits the audit report prepared by the certified public accounting firm of Gardiner, Kamya & Associates, PC, on the financial statements as of September 30, 2012 and 2011, of the U.S. African Development Foundation (ADF). OIG contracted with this independent auditor to audit the financial statements.

The independent auditor expressed an unqualified opinion on ADF's fiscal year 2012 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, 2012 and 2011, 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. 07-04, "Audit Requirements for Federal Financial Statements", as amended.

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 October 31, 2012, 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.

The Office of Inspector General appreciates the cooperation and the courtesies extended to our staff and the staff of Gardiner, Kamya & Associates, 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 2012

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OVERVIEW

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October 26, 2012

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2012 Performance and Accountability Report for the United States African Development Foundation (USADF). USADF is committed to achieving the highest levels of effective and efficient operations, full transparency and accountability in financial reporting, and full compliance with applicable laws and regulations.

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

USADF's operating model is one of low overhead to maximize the amount of appropriated dollars that provide direct economic development assistance to the most marginalized populations in Africa. In FY 2012, the Foundation began a major outsourcing effort as a means to lowering administrative costs. USADF has pledged to be a Federal agency model of openness and transparency and continues to make program activities and results available on our web site.

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

Signed:

/s/

Lloyd O. Pierson

President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

United States African Development Foundation Mission and Organizational Structure

Purpose: Fostering hope, growth, and goodwill in Africa.

Vision: To end the poverty of a million Africans by investing in their ideas.

Mission: To provide economic development assistance for marginalized populations in Africa. These populations generally are in conflict or post-conflict areas and the work of USADF is in the national interest of the United States.

The United States African Development Foundation (USADF or the Foundation), created in 1980, is an independent Federal agency established to support African-designed and African-driven solutions that address grassroots economic and social problems. The Foundation is a public corporation with a seven member Board of Directors who are nominated by the United States President and confirmed by the U.S. Senate. They serve for a fixed term. The Board of Directors selects and names the President and CEO of USADF.

The United States African Development Foundation provides grants of up to $250,000 to indigenous African organizations that benefit under served and marginalized[1] groups. The Foundation has a unique mission among U.S. foreign assistance programs, by-passing layers of inefficiencies and working directly with the neediest communities in Africa. The Foundation uses a participatory approach to actively engage marginalized local community groups[1] or enterprises in the design and implementation of development projects. This approach ensures these programs are distinctively African initiated and led, resulting in outcomes that best address the real needs of the community. Project success and long term impact is further enhanced through USADF efforts to establish a network of local support and technical service providers across Africa. Partner organizations are local non-governmental organizations that provide project design, implementation and management support to USADF grant recipients. Grant success is measured in terms of jobs created and sustained, increased income levels, and improved social conditions.

Over the past 30 years, The United States African Development Foundation has established a foreign assistance model that works. During this period, USADF has worked in more than 26 countries and has invested more than $250 million in African initiated and led development projects. USADF projects are designed to improve economic and social conditions for some of the poorest, most neglected communities in the world. Congressional appropriations, administered by USADF, are tangible expressions of good will from people of the United States to the people of Africa. Support for USADF programs provide an opportunity for economic growth and social development in places where little other hope and assistance exist.

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

As of April 30, 2012 USADF had 395 active project grants and small grants in 23 countries, representing more than $63 million invested in enterprises, farmer associations, cooperatives, and community groups that improve food production, increase income levels, and improve social benefits in poor communities.

The Staffing Table below shows the personnel required to support USADF operations across a three year period. USADF further simplified organizational structures in 2012 to improve operational efficiencies.

Staff Table

Professional Staffing Levels	End of FY 2009	End of FY 2010	End of FY 2011	End of FY 2012
Direct Federal Hires	25	25	29	30
PSC - Washington	13	9	7	5
PSC - Field	23	23	17	26
Total	**61**	**57**	**53**	**61**

<u>USADF Strategic Priorities</u>

The following seven core principles serve as guidelines for all USADF management planning, budgeting, and evaluation activities. These priorities help ensure that USADF stays true to its authorizing legislation and mandate.

1. <u>High effectiveness, low overhead</u>: The efficient use of taxpayer funds is paramount in every decision made. While accomplishing tangible results is important, it is essential that USADF is accountable to use public monies in the most cost effective manner possible. Maintaining this priority moves USADF toward achieving the lowest overhead rate in the Federal government.

2. <u>Focus on marginalized communities</u>*:* USADF is the only United States Government agency with a specific mission to provide direct development assistance to the most marginalized, populations in Africa. These populations can be identified by geography, ethnicity, gender, age, or disability, and are often disenfranchised from the political, economic and social fabric of the broader society. Typically, USADF provides development grants to communities and groups living in the most difficult, challenging areas of sub-Saharan Africa and lacking access to traditional domestic or foreign development assistance.

3. <u>Investing in Africans and their ideas</u>*:* USADF takes participatory development principles seriously. The Foundation trusts Africans to understand the challenges they face and to know the best approaches to resolving them. USADF also ensures that grantees have access to assistance from African experts in the design and implementation of projects. This approach ensures that outcomes will best address real community needs. USADF's development model empowers Africans in the decision-making and implementation process.

4. Addressing social development needs and ensuring lasting economic results: The majority of the USADF program portfolio is devoted to income generating projects that produce jobs, better income levels, and tangible social benefits. Social benefits include skills training, nutritional and hygiene training, and basic vocational education. In cases where the right opportunities exist, USADF helps marginalized populations develop their capacity to join the global economy.

5. Encouraging and expanding African management: All USADF programs in Africa are managed by Africans. There are no expatriate offices and there is minimal use of outside consultants. When consultants are required most often African experts are selected. This approach helps make USADF fundamentally different from other development organizations. USADF values and has policies that ensure that Africans take leadership roles in developing, implementing, and managing foreign assistance.

6. Maintaining the highest level of openness and transparency in the U.S. Government: As an organization primarily dependent on U.S. taxpayer funds, management believes that an open and transparent organization is the best approach. The USADF website and other communication vehicles are continually updated to make it simple for people to know more about Africa, what USADF is doing, and exactly how program funds are being used.

7. Developing an equal opportunity, results driven staff team: that provides equal opportunities, and rewards hard work, dedication to the mission.

Supporting Administration Priorities in Marginalized Area

With more than one billion people in the world suffering from chronic hunger, the international development community has made improving 'food security' a priority item. The global community often defines the term food security as people having a *reliable* source of food and *sufficient* resources to purchase food. From its inception USADF has focused the majority of its grants on improving agricultural production and improving the income levels of marginalized groups across Africa. USADF's participatory development approach ensures that effective food security solutions come from those closest to the problem.

The majority of USADF grants directly support improved agricultural productivity by providing access to better inputs such as seed, feed, fertilizer, machinery, and irrigation systems. Most all grants also provide access to improved farm knowledge, training in financial management, and natural resource management.

In addition to improving the means of production, USADF grants also focus on helping marginalized groups expand their market access. Higher incomes are achieved when groups gain the abilities to take greater advantage of local, regional, and international markets. To achieve this, USADF grants support improved means of transportation, better product storage, better product distribution and marketing, and improved access to market information.

The table below shows where USADF grant funding economic development grants for marginalized communities corresponds to other Administration foreign assistance initiatives:

(per 4/30/12)	Active Projects	Active Value (USD)
Benin	26	3,899,820
Burkina Faso	28	3,184,791
Burundi	16	2,132,983
Guinea	5	819,502
Liberia	27	3,644,884
Mali	12	2,429,956
Mauritania	21	2,969,850
Niger	14	3,089,548
Rwanda	18	3,638,669
Senegal	20	2,828,608
Kenya	18	2,093,625
Malawi	20	3,459,628
Tanzania	21	3,621,809
Uganda	30	5,934,918
Zimbabwe	17	3,218,572
Somalia	6	1,428,582
Botswana	7	1,408,664
Cape Verde	22	3,616,487
Ghana	7	1,696,518
Nigeria	35	4,373,376
Swaziland	1	237,534
Zambia	24	3,647,422
Total	395	63,375,746
Small Grants	121	959,534

**Bold Italics note a Feed the Future Country*

In FY 2012, USADF continued a new food security and economic development program in the Turkana region of Kenya and a focused jobs training program in three regions of Somalia. The ability of USADF to move rapidly into post conflict zones, with due diligence, assured results and impact, is a major comparative advantage for the Foundation and for the United States.

Program Performance Highlights

Even though foreign assistance to Sub-Saharan Africa is extensive, there remains large numbers of marginalized communities untouched by development assistance. USADF grant funds specifically target these underserved areas in Africa by providing direct development assistance to help ensure these highly vulnerable populations create sustainable jobs, improve income levels, and achieve social benefits. The majority of USADF grants focus on economic development activities in agricultural production and other food security related areas. The results of these projects help rural farmers grow more food to feed their families and sell more of their products in commercial markets. Increased revenues generate greater income that enables people to purchase other goods and services such as food, education, healthcare, and housing. These basic outcomes significantly improve the quality of life for individuals and communities. The following measures, based on USADF's most recent[2] annual assessment of program performance indicators, provide an overview of the positive impact USADF grants are having in marginalized communities across Africa.

$230 Million of New Economic Growth in Marginalized Communities

Jobs and better incomes require both viable and long-term economic activities in communities where marginalized people live. Based on USADF's most recent performance assessment, USADF grants generate an additional 3.5 dollars of new revenues for each one dollar disbursed. If this rate is applied to 83%[3] of USADF's current grant portfolio ($63 million), then one may infer that USADF investments help spur more than $183[4] million of new economic activity over the grant period (3-5 years) in many of Africa's most underserved populations. An additional $9 million of new economic activities occurs from the social and capacity building grants. USADF performance measures confirm that at least 77% or more of USADF grantees continue to operate for a three year period after grant funding ends. This creates an additional $40[5] million of long-term economic growth potential in marginalized communities. This results in a combined benefit of more than $230 million of new economic growth. On average, that equates to more than $0.56 million[6] of new economic activity circulating in each community where USADF funds a development project over the effective life of the grant.

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[2] Annual Performance Report for FY 2010

[3] 83% of the active grant population focuses on economic growth, 15% focuses on social, not for profit projects, and 2% accounts for grants that may be terminated prematurely.

[4] New Economic Activity = (activity from income generating development projects) + (activity from social development projects); i.e. (3.5 x $63M x 83%)+ ($63M x 15%) = $192 Million; accounting for 2% early terminations

[5] 83% of population are growth grants x 77% sustainability rate x additional revenue growth estimated to at least equal the value of the original grant $63 Million (83% x 77% x $63M = $40M)

[6] Total Economic growth / active projects [$192M + $40M) / (420 x 98%) = $0.56M]

1,000,000 Beneficiaries Across Africa

Measuring actual job growth and direct economic impact is very difficult and expensive for development organizations. It is particularity difficult for an agency the size of USADF which operates in very challenging environments. However, based on USADF's most recent performance analysis of quarterly and annual reporting data, a typical USADF grant provides a direct positive economic benefit for an average of 620 workers and/or farmers. If this rate is applied to 83% of USADF's current grant population (420 projects), then USADF can estimate that its current portfolio positively impacts at least 216,000 people in areas of severe economic hardship. While this is a modest number, it reasonably can be extended by accounting for the number of family members who also benefit from the increased income of the workers and farmers. Public demographic data[7] suggest that a mean household family size in Sub-Saharan Africa is, at least, five people. Using this value raises the impact level of USADF's current portfolio of projects to over 1,000,000 beneficiaries. The social benefits from this increased economic activity often translates into better diets, better access to education, access to clean water, and better health care for those living on the edge of poverty in Africa's most marginalized and underserved communities.

[7] See USAID supported www.StatComplier.com application for additional details.

USADF Operational Trends

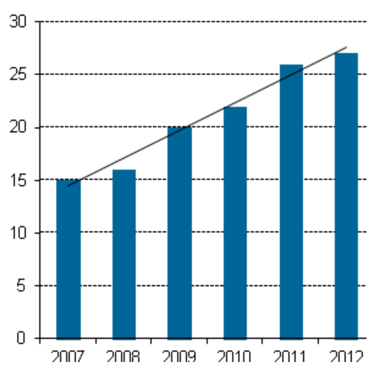
USADF operational performance trends continued to make progress in FY 2012 as a result of the on-going implementation of strategic reforms that began in FY 2008. The following section highlights several of these key performance indicator trend lines.

Major Achievements in 2012

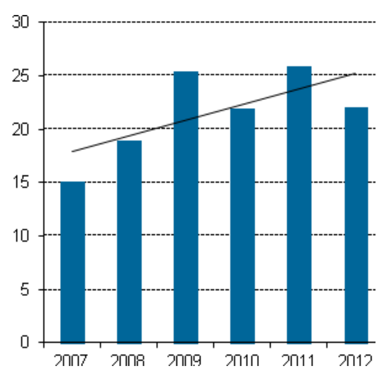
1. Positive Trend for Grants and Countries

- $21M in New Project and Partner Grants Funding.
- Funding in 26 Countries Up 46% from 2007
- Improved Workload Distribution and Obligation Rate

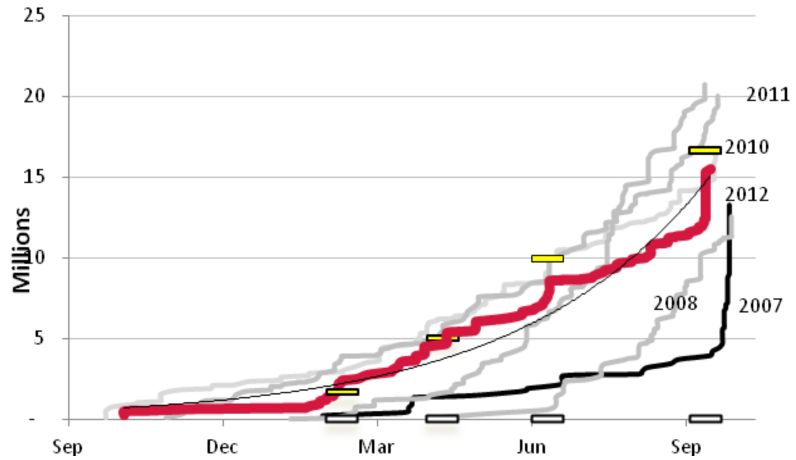
More Grants ($ million)



More Countries



Rate of Obligations ($M) - Better Workload Distribution

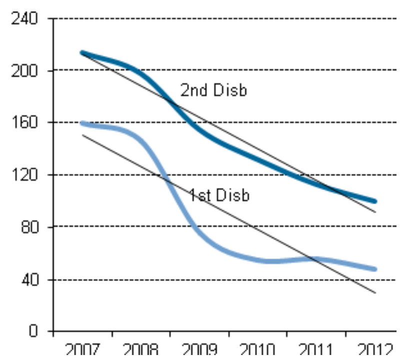


2. More Dollars Disbursed per Year and Faster Grant Disbursement Times

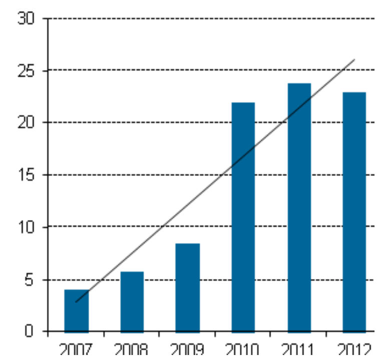
Foreign assistance funds can only achieve results if they are disbursed and put to productive use. In 2012, USADF continued to improve the speed and volume of its grant disbursement performance.

- Faster Disbursements - 1st Disb. improved from 160 days in 2007 to 48 days in 2012
- Amount of project funds disbursed in 12 month period improved by 500% from 2007

Days to 1st and 2nd Disbursements



$ Million Disbursed



3. Better Strategic Partner Funds Utilization

In 2011, USADF received $0.8 million in Strategic Partner (SP) funds and applied $2.5 million toward FY 2011 projects. There is a balance of $1.7 million in SP funds available for use in Benin, Botswana, Guinea, Mali, Nigeria, Rwanda, and Uganda in FY 2012. USADF plans to use $2.25M in SP funds in 2012, and an additional $1.95 million of SP funds in 2013.

Strategic Partner Funds	2007	2008	2009	2010	2011	2012
New SP Funds Collected	$3.4M	$4.7M	$3.3M	$4.8M	$0.8M	$1.3M
SP Funds Applied to Projects	$2.3M	$1.0M	$4.0M	$2.9M	$2.5M	$1.6M

4. Improved Internal Controls

In 2012, the USADF Internal Audit Unit continued implementing its systematic approach to providing an independent review of the financial management and accounting practices associated with U.S. government funds provided to project grants, partner grants, and country coordinator offices.

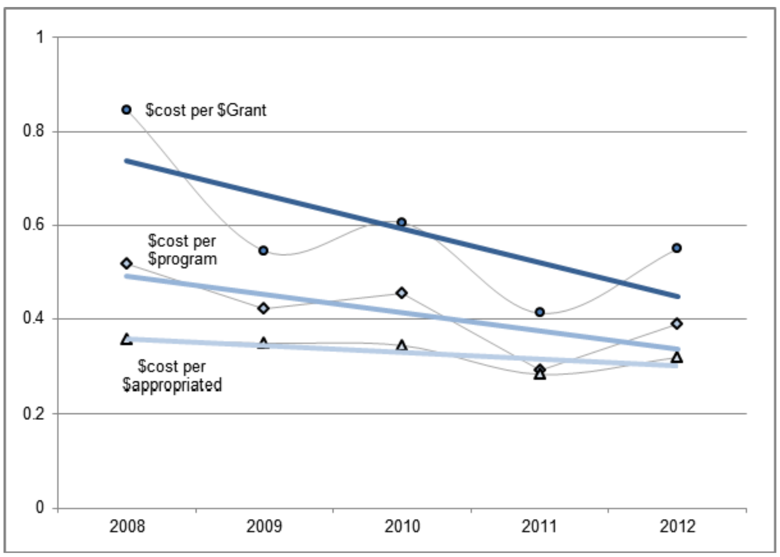
Financial Audits Types	FY11 Scheduled	FY11 Conducted	FY12 Scheduled	FY12 Conducted
Projects Grants	54	54	61	61
Partner Grants	19	19	19	19
Coordinator Offices	6	6	7	7

* planned to be conducted no later than 9/30/12

5. Lower Cost of Operations

USADF continues to lower the cost of delivering a dollar of foreign assistance to marginalized communities in Africa. From 2007 to 2012, the cost of providing a grant dollar to Africa has been reduced by more than 38 percent. The chart below shows the progress USADF has made in improving productivity and lowering unit costs since 2008. USADF is planning to lower its operating expenses by 10 percent (from $9.4 million to $8.5 million) through additional restructuring actions that may include staff reduction and other gains realized from outsourcing core administrative functions in prior years.

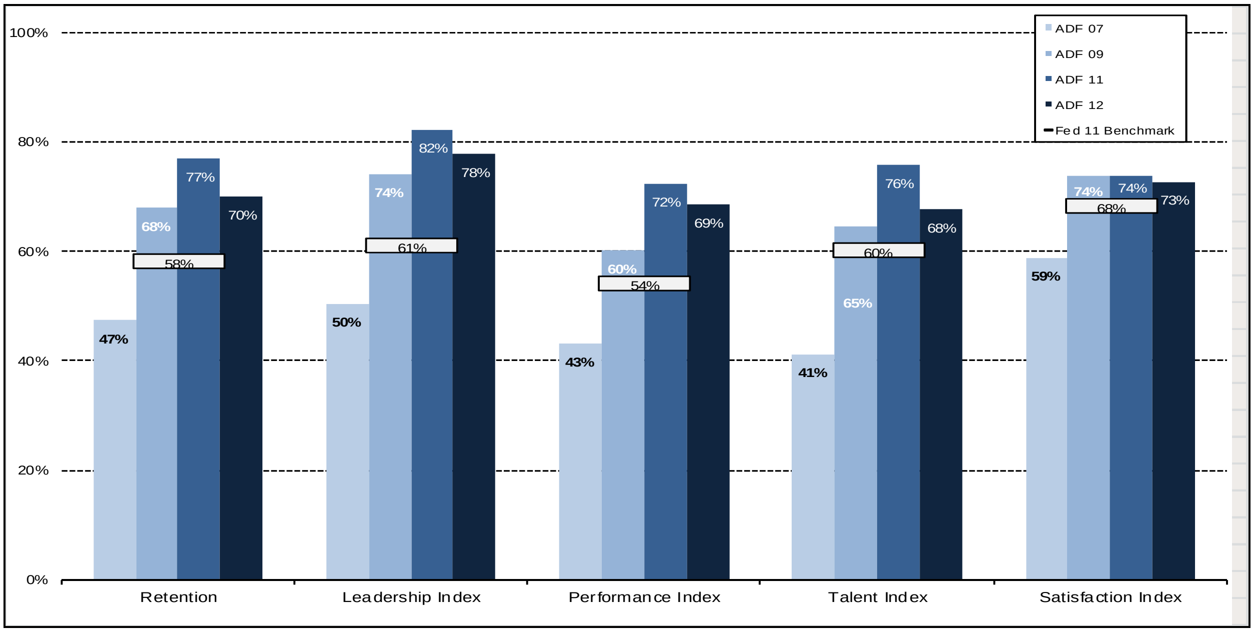
Lower Costs to Deliver Programs in Africa



6. Positive Work Environment

USADF's seventh core operating priority is to *"develop an equal opportunity, results oriented work environment"*. This objective is achieved by making these workplace values a key part of daily operations through leadership, communications, and accountability. Since 2007 USADF has achieved greater levels of job satisfaction and has consistently outperformed the Federal workplace averages in OPM's annual all employee survey categories. The chart below shows the percent of USADF survey participants responding positively about the ADF workplace compared to the 2008 Federal benchmark.

Three Year Workplace Survey Trends



* Survey Population is ADF/W staff, PSC and Partner Staff in Africa

7. Increased Transparency for Open Government

In order to make USADF a model of openness and transparency in the Federal government, USADF has simplified the steps needed for the public to access information about its operations and programs. The USADF website contains a wide range of information about current and historical programs, budgets, performance information, and various USAID Inspector General Audit reports. In FY 2010, USADF improved access to grant information, locations, and grant photographs through an interactive linkage to "Google Maps" and "Google Earth". These tools help people better understand how funds are being used to support marginalized communities in Africa. The grant information provided includes budget details and specific project goals and objectives. In FY 2010, USADF added new Open Government features to its website to make even more information easily available to the public. See www.usadf.gov for more details.

<u>Program Quality Assurance through Monitoring and Evaluation</u>

Achieving positive program results requires accountability, effective monitoring of grant activities, and the regular evaluation of programs. These management actions provide the feedback information necessary to access program effectiveness, to learn from mistakes, and to make corrections to future program plans and resource allocations.

Monitoring – Building Evidence of What is Working

Closely tracking the progress of grant implementation plans and budgets is an important grant management task that can help increase the likelihood that a grant will result in a successful outcome. Monitoring can identify early problems and ensure that additional support is applied. In 2009, USADF updated the monitoring roles of the Country Program Coordinator and Regional Director to better ensure Partners were providing the 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 biannual portfolio performance reviews with their country teams to monitor and assess project performance within their respective regions. USADF management also conducts biannual program reviews with Regional Directors to ensure there is a clear line of accountability for the overall effectiveness of grant programs.

The table below is a copy of a recent biannual program performance review. It contains summary performance assessment information about individual grants within a particular country. Based on the review, grants are given a performance grade using a standard grading and assessment process. 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.

Table 9 - Portfolio Performance Status for Period: Through 03/31/12

	*Active Projects	Active Value (USD)	% Value Disb TD	FY11 Days 2nd Disb[1]	Date of Last Project Review[2]	GPA	Project GRADES[3]				
							A	B	C	D	F
Benin	26	3,899,820	70%	73	Apr 2012	3.3	11	12	1	0	1
Burkina Faso	28	3,184,791	39%	135	Dec 2011	2.6↑	9	3	9	4	1
Burundi	16	2,132,983	45%	187	Apr 2012	2.1↓	1	3	7	4	0
Guinea	5	819,502	86%	N/A	Mar 2012	2.8↑	0	4	1	0	0
Liberia	27	3,644,884	60%	155	Feb 2012	2.4↑	3	13	4	6	1
Mali	12	2,429,956	69%	114	Mar 2012	2.9↑	5	3	2	1	1
Mauritania	21	2,969,850	34%	139	Dec 2011	2.8↑	6	7	4	3	0
Niger	14	3,089,548	78%	112	Mar 2012	3.6↑	8	5	0	0	0
Rwanda	18	3,638,669	52%	74	Apr 2012	3.3	10	3	3	1	0
Senegal	20	2,828,608	63%	103	Mar 2012	3.3↑	8	9	1	1	0
Kenya	18	2,093,625	38%	110	Apr 2012	2.8	0	4	1	0	0
Malawi	20	3,459,628	78%	102	Mar 2012	3.4↑	12	2	3	1	0
Tanzania	21	3,621,809	71%	127	Apr 2012	3.1↓	9	5	4	1	0
Uganda	30	5,934,918	76%	116	Mar 2012	3.4↑	14	11	1	1	0
Zimbabwe	17	3,218,572	62%	108	Apr 2012	3.2↑	6	5	1	1	0
Somalia	6	1,428,582	26%	143	Mar 2012	4.0	3	0	0	0	0
Botswana	7	1,408,664	73%	N/A	Apr 2012	2.3↓	2	1	2	1	1
Cape Verde	22	3,616,487	65%	98	Apr 2012	3.0↓	6	12	2	2	0
Ghana	7	1,696,518	93%	n/a	Apr 2012	3.1↓	2	4	1	0	0
Nigeria	35	4,373,376	69%	98	Apr 2012	3.1↓	11	17	3	2	0
Swaziland	1	237,534	92%	N/A	Apr 2012	3.0↓	0	1	0	0	0
Zambia	24	3,647,422	68%	109	Apr 2012	2.7↓	4	8	7	2	0
Total	395	63,375,746	63%	117 avg		3.0	130	132	57	31	5
Small Grants	121	959,534	85%								

1 Active Projects = any grant that expires after 3/31/12, (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 3/31/12 in USD / Active Value
4 Avg Days to 2nd Disbursement equals the average days from obligation date to 2nd disbursement date for FY11 projects disbursed in FY11 and FY12 - the goal is 135 days. (Note, in April 2013, the review period will shift to disbursement of FY12 grants.)
5 Date when last Comprehensive Portfolio Review was conducted by Regional Director and field team.
6 Grades of active projects greater than six months old.
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 two consecutive "C".
F= after two consecutive "D" grades.

7 Percent Projects graded 90% = 355 / 395; (37% A, 37% B, 16% C, 9% D, 1% F)

Evaluation

To fully understand and assess the actual outcomes and impacts of a grant, a program evaluation activity is necessary. To maintain the integrity of the evaluation, it is desirable for an evaluation to be conducted by an independent source. An evaluation budget is set aside each year to support independent assessments of program effectiveness. In FY 2009, the Evaluation Unit commissioned POSDEV, an African NGO based in Ghana to conduct an extensive program and grant evaluation across 10 countries in Africa (Benin, Botswana, Cape Verde, Ghana, Guinea, Liberia, Niger, Swaziland, Uganda, and Zambia). Highlights from POSDEV's report follow. The results reflect client experiences with USADF policies, procedures, and support systems that were in place between 2001 and 2008. Thus, the responses do not necessarily reflect current experiences with USADF.

Some Key Findings of the Client Surveys:

Item	Median Score
Project idea originated from the Grantee?	96%
Country representative office rated professional or better?	96%
Other tech assistance & training in implementation very useful ?	94%
USADF-required training on financial management and reporting very useful or better	93%
Project development and review process good or better	90%

Other program evaluation efforts include feedback from external audit activities conducted by the OIG based in Dakar Senegal. Over a recent five year period program audits have occurred in Ghana (2008), Senegal (2008), Nigeria (2011) and Cape Verde (2012). With each audit and resulting recommendations, USADF is able to improve its operations and program initiatives to improve the effectiveness of achieving its mission.

In FY13 and FY14, USADF has allocated resources for independent in-country program evaluations in Kenya, Rwanda, and Senegal to assess program effectiveness and the suitability of current performance indicators. A similar in-country program evaluation was conducted in Benin in FY12. The positive findings were used to help assure the Government of Benin to continue with co-investing (approximately $500,000 per year) in local development grants as a Strategic Partner.

Acting on Monitoring and Evaluation Evidence

USADF utilizes information gained from evaluation and monitoring activities to shape policies, program plans and budgets, and internal processes. Notable examples come from the Nigeria evaluation; the broader POSDEV assessment; and, the African Forum Marginalized Populations Study. In the case of the Nigeria program audit, USADF formally eliminated grant programs associated with housing related projects. The POSDEV assessment reinforced efforts to simplify the grant application documentation and modify review and approval processes to ensure the grantee initiated project concepts and proposed solutions were better preserved throughout the lifecycle of the grant. The African Forum studies reinforced USADF's strategic decision to focus economic development resources solely on the highly marginalized groups and communities in Africa. Results from the annual employee survey (see item 6 above) led USADF to establish a training unit to better equip field staff to carry out duties. The result has been more consistent, higher quality grant making products.

As noted in several of the results summaries above (1-5) USADF has utilized internal reviews and analyses to improve disbursement processing times, simplify grant review and approval processes, lower costs in Field Offices, lower costs to deliver and manage grant dollars, and achieve highly predictable country allocation budget targets.

A recent OIG program evaluation report in Cape Verde (2012) underscores the progress USADF has made in using assessments to improve their program effectiveness when they said … "*The audit team found that USADF's activities were expanding local capacity to promote and support grassroots participatory development. Estrategos and nine of the ten grantees had accomplished or were on track to accomplish their project goals, which were general objectives like improving beneficiaries' quality of life. (The tenth grantee's project had not been active long enough for the auditors to make a judgment.) To date, the program has led to new jobs, increased incomes, improved living standards, and less reliance on imported goods for USADF beneficiaries. Perhaps even more notable was that the grantees demonstrated increased managerial and technical capacity to conduct development activities—an improvement that should help sustain the program's impact.*" (AUDIT REPORT NO. 7-ADF-12-008-P page 1).

Building Agency Capacity

In FY 12 USADF has taken steps to improve its ability to gather and utilize evaluation information to improve program effectiveness and cost efficiencies. Steps in FY12 include a transition to a more integrated grant, contract and financial accounting system that provide better financial tracking information and reporting capabilities for improved management and analysis. USADF's bi-weekly program status meetings and its bi-annual program performance 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. USADF will be conducting a series of FY12 program funding reviews with Field Operations to evaluate areas where it can improve on grant design processes, lower grant management transactions, and consolidate monitoring and performance management practices.

Analysis of Financial Statements

USADF is pleased to report that in FY 2012, the Foundation continued to receive an unqualified opinion on all financial statements from its independent auditors, GKA, P.C. Since FY 2009, USADF has received an unqualified opinion on the Balance Sheet, the Statement of Net Costs, the Statement of Net Position, and the Statement of Budgetary Resources.

Assets

USADF's *Fund Balance with Treasury* increased, from $32.3 million at the end of FY 2011 to $32.6 million at the end of FY 2012. The difference of $217,178 is due to continued efforts to improve the speed of grant closeouts.

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 significantly, from $6.3 million at the end of FY 2011 to $4.9 million at the end of FY 2012.

Liabilities and Net Position

Liabilities did change significantly from FY 2011 to FY 2012. USADF's *Net Position* (the sum of the Unexpended Appropriations and Cumulative Results of Operations) at the end of 2012, as shown on the Balance Sheet and the Statement of Changes in Net Position was $40.4 million, a $1.4 million decrease from the previous fiscal year's balance of $41.8 million. This decrease is explained in the subsequent section regarding the *Fund Balance with Treasury*. *Unexpended Appropriations* of $35.0 million represents funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2012. *Cumulative Results of Operations* of $5.4 million consists primarily of funds donated by strategic partners that were not expended by the end of FY 2012.

Net Cost of Operations

The *Net Cost of Operations* is defined as the gross (i.e., total) cost incurred by the Agency, less any exchange (i.e., earned) revenue. Program costs assigned to program activities, such as grants and cooperative agreements, increased from $23.2 million in FY 2011 to $23.8 million in FY 2012, due to systematic improvement of the processing of grants. Costs not assigned to programs, such as office expenses, staff salaries, and other administrative costs, slightly decreased from $9.3 million in FY 2011 to $9.2 million in FY 2012 as a result of the priority set by USADF management to move toward achieving the lowest overhead rate in the Federal government.

Forty-One percent of USADF's non-program expenses are related to payroll. Forty-three percent relates to rent, travel, supplies, publications, training, contractual services, and information technology; the remaining sixteen 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 2011 appropriations were $29.4 million; its FY 2012 appropriations were $30 million. USADF received $1.6 million in FY 2012 donations from strategic partners, representing an increase of $1.3 million from the $207 thousands received in FY 2011.

Unobligated Balances decreased from $10.5 million at the end of FY 2011 to $5.7 million at the end of FY 2012. The *Obligations Incurred* line increased from $30.1 million in FY 2011 to $39.5 million in FY 2012. The increase of $9.4 million is due to multiple factors among which is the increase in the appropriate fund, a substantial collection of donated funds, and an improvement in grant processing.

USADF Internal Controls, and Legal Compliance

October 25, 2012

General FMFIA Assurance Statement

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act or FMFIA) provides the statutory basis for management's responsibility for and assessment of accounting and administrative internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The Integrity Act requires federal agencies to establish controls that reasonably ensure obligations and costs are in compliance with applicable law; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets.

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

/s/

Lloyd O. Pierson, President

October 25, 2012

Internal Control over Financial Reporting Assurance Statement

The United States African Development Foundation’s management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. In addition to the financial audit that is being conducted, USADF continually assesses the effectiveness of internal controls over financial reporting both at headquarters in Washington, D.C. and in Africa field offices and management has recently concluded a thorough review of financial operations. Implementation of those recommendations is underway. USADF assesses the effectiveness of USADF' internal control over financial reporting and is working toward full compliance with OMB Circular A-123, Management’s Responsibility for Internal Control. Based on the results of our assessment, the USADF can provide unqualified assurance as of this date that there are no material weaknesses that will be identified in the audit report.

/s/

Lloyd O. Pierson, President

October 25, 2012

Annual Assurance Statement on Financial Management System

The United States African Development Foundation has been using the Oracle Federal Financial System hosted by the Administrative Resource Center of the Bureau of Public Debt (ARC/BPD), Department of Treasury since October 1, 2011. Previously, from FY 2004 to the end of FY 2011 USADF used the Oracle Federal Financial System hosted by the National Business Center (NBC) under Department of Interior. Based on the results provided in the FY 2012 Statements on Standards for Attestation Engagements (SSAE) 16 Report on ARC/BPD's Oracle Federal Financial System, and the related complementary controls in place at USADF, I am able to provide substantial compliance that the USADF's Financial Management Systems conform to government-wide requirements mandated by the FFMIA and OMB Circular No. A-127, Financial Management Systems, section 7.

/s/

Lloyd O. Pierson, President

OMB Circular A-123 Compliance Progress

In 2011-12, management strengthened its internal control environment by formalizing annual internal control assessment process. This enhanced approach was established as an institutional practice to increase confidence in the level and quality of Management's Annual Statements of Assurance on internal controls. The adoption of a continuous improvement internal control process will include:

(1) A regular review of the organizational culture and structure: areas of authority and responsibility and delegations, reporting hierarchies, human capital policies, expectations of integrity and ethical patterns of behavior.
(2) A risk assessment of internal and external factors and previous findings.
(3) Assessment of policies, procedures, mechanisms, segregations of duties, physical controls on assets, authorizations processes, documentation and access to documentation, including those related to information systems, and mechanisms of communication of information internally and externally.
(4) Monitoring the effectiveness of these processes as a normal course of business, including: identification and reporting of deficiencies and consideration and, where appropriate, planning and implementing corrective action.

A directive issued by the President on November 3, 2009 formally outlined the steps and timeframes associated with the formal implementation of USADF's enhanced internal control assurance process. As a result, an Internal Control Assessment Committee (ICAC) was established and has completed a risk assessment matrix on USADF major business processes. Based on that assessment the ICAC conducted a business evaluation and had a draft report and recommendations approved by the President. The ICAC met in FY2012 to update the risk assessment matrix and plan for a new series evaluation activities.

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 focuses its efforts on assessing compliance with USADF financial policy and practices at the Country Coordinator Offices, USADF Partner Organizations, and the USADF project grantees. Each assessment is followed by an Internal Audit Report and follow-up project plan.

In 2012, the USADF Internal Audit unit made significant progress in implementing a systematic plan and approach to review the financial management and accounting for USADF funds provided to project grants, partner grants, and country coordinator offices. During FY 2012, USADF oversaw field audits for 61 grants, seven Country Coordinator offices, and 19 Partner Cooperative Agreement grants.

Integrated Contracting and Financial Management Practices

In FY 2012, USADF outsourced financial management, contracting, and travel management functions to the Bureau of Public Debt's Administrative Resource Center. This provides for an integrated Contracting, Travel, and Financial Accounting capability to improve the contracting process through online records management, improvements to process controls and reporting, fewer data errors, greater standardization of policy, and increased assurances of compliance with the Federal Acquisition regulations. USADF also expanded its inter agency agreement with the National Business Center to take on expanded Human Resource management functions.

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 2012, 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

It should be noted that USADF achieved several significant steps forward in 2012 programs. Working from a base budget of $30 million, dealing with several continuing resolutions (CRs), and undertaking a major outsourcing effort USADF was able to provide over $20 million of quality grants and technical resources to improve lives and income levels to many of the most marginalized and underserved communities in Africa. At the same time, process times for critical grant activities have been reduced by more than 50%. Quality control and monitoring and evaluation are a critical priority for all program outputs and activities.

In 2012, USADF used over $1.6 million of African host government strategic partner matching funds to stretch U.S. tax dollars further in reaching under-served communities.

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

2009 - 2012 Operational Priorities
1. Model high effectiveness and low overhead operations.
2. Focus program activities on marginalized communities in Africa.
3. Invest in Africans and their ideas through participatory development.
4. Ensure projects produce long term social and economic results.
5. Promote African led and managed field project support.
6. Achieve the highest levels of openness and transparency in the U.S. government
7. Support and develop an equal opportunity, results-driven staff team that rewards hard work, dedication to the mission, and personal success.

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 2007 through 2012.

Comparative Performance Table:

Measure	**FY 2007 Results**	**FY 2008 Results**	**FY 2009 Results**	**FY 2010 Results**	**FY 2011 Results**	***FY2012 Target***	**FY 20112 Results**
Development Grant Funding Levels[1]	$15 million	$18 million	$25 million	$22 million	$26 million	*$21.9 million*	$20 million
Grant 1st Disbursement Timing	214 days	146 days	78 days	57 days	53 days	*45 days*	48 days
Operating Expense Ratio[2]	46%	36%	35%	34%	28%	*<32%*	30%

[1]Cooperative Agreement Grants and Project Grants including use of Strategic Partner Funds

[2] Operating Expenses / Current Year Appropriations

Development and Partner Cooperative Agreement grant funding levels decreased significantly from $26 million in 2011 to $20 million in 2011 due to less federal carry forward and strategic partner funds available for new obligations. The target of $21.9 million in grant funding was missed primarily due to the non-receipt of strategic partner matching funds from Uganda and Malawi.

USADF continues to make progress in improving disbursement times. Disbursement timing represents the number of days between the date a legal grant agreement was established and the date funds were released for use by the grantee. In FY 2012, USADF continued to improve disbursement cycle time for both first and second disbursements.

Operating Expense levels have declined by more than 20% over a five year period while increasing program activities as reflected in the improved OE ratios shown above. In FY 2011 and 2012, management took further actions to reduce costs by outsourcing core administrative functions. This puts ADF in a better position for lower appropriations in FY 2012 as well as on a stable track to scale up program activities as additional operating funds become available.

Other Program Performance Indicators

A detailed set of USADF performance indicators is displayed in the table below. Performance indicators in FY 2009 showed some declines due to the shifting nature of USADF grant portfolio from a small and medium sized business focus to marginalized populations in Africa. The "investment multiplier" decreased from 6.3 in FY 2008 to 3.5 in FY 2010. This indicator tracks how much sales revenues increased for each USADF dollar provided to that enterprise. Three measures increased in 2009: export growth, the number of direct beneficiaries, and wages paid. Although considerable time and effort is needed to develop sustainable economic growth in marginalized communities, USADF grantees prove they can productively use USADF funds to increase revenues and expand operations.

Key Performance Indicators FY 2010

(FY 2011/12 Indicators are still being finalized at the time of this report. We expect the final report to be completed by the end of January, 2013)

Indicator	FY06 Actual	FY07 Actual	FY08 Actual	FY09 Actual	FY10 Actual
Cumulative Revenue Growth, active and recently expired (USD thousands)	$43,288	$63,044	$112,355	$106,498	$47,863
Investment Multiplier, active and recently expired	**2.0**	**3.8**	**6.3**	**3.7**	**3.5**
Owners, Full-Time Workers, and Principal Raw Material Suppliers or Farms, active	46,553	44,464	106,814	129,400	185,901
Women As Percent of Owners, Workers, Members and Suppliers	62%	84%	79%	70%	77%
Sustainability, expired grants	**62%**	**84%**	**79%**	**70%**	**70%**
Countries with active EEG and OAGs	15	16	19	19	19
Funds received from Strategic Partner countries (USD)	2,567,082	3,402,652	4,713,823	3,809,552	4,864,273
Average days from obligation to 1st disbursement	**NA**	**160**	**146**	**76**	**62**
Overhead ($000)	**8,606**	**10,484**	**10,604**	**11,334**	**10,320**
O/E (Operating Expense to Total Funds Available)	**30%**	**32%**	**26%**	**25%**	**24%**

October 25, 2012

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

MESSAGE FROM THE CFO

I am pleased to present the fiscal year 2012 comparative Financial Statements for the United States African Development Foundation (USADF). The financial statements and performance results data are complete and reliable and are in accordance with OMB requirements. They are also in conformity with generally accepted accounting principles.

The USADF's administrative and fiscal accounting systems for the year ended September 30, 2012 fully comply with the requirements of the Federal Financial Management Improvement Act (FFMIA).

USADF is in substantial compliance with 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.

/s/

William E. Schuerch, Chief Financial Officer

SECTION II

INDEPENDENT AUDITOR’S REPORTS

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gka, p.c.
Certified Public Accountants
& Consultants

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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:

We have audited the accompanying balance sheets of the United States African Development Foundation (USADF) as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity, hereinafter referred to as "financial statements" for the years then ended. These financial statements are the responsibility of USADF's management. 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USADF as of September 30, 2012, and its net costs, changes in net position, and budgetary resources for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America and OMB Circular A-136, *Financial Reporting Requirements*.

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

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 31, 2012, on our consideration of USADF's internal control over financial reporting, and on our tests of its compliance with certain provisions of applicable laws, regulations, and contracts. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

GKA, P.C.

October 31, 2012

gka, p.c.
Certified Public Accountants
& Consultants

www.gkacpa.com

Independent Auditor's Report on Internal Control over Financial Reporting

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

We have audited the balance sheet and the related statements of net cost, changes in net position, budgetary resources, and custodial activity, hereinafter referred to as "financial statements" of the United States African Development Foundation (USADF) as of and for the year ended September 30, 2012, and have issued our report thereon dated October 31, 2012. We conducted our audit 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered USADF's internal control over financial reporting by obtaining an understanding of the design effectiveness of USADF's internal control, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide an opinion on the effectiveness of USADF's internal control over financial reporting. Consequently, we do not provide an opinion on the effectiveness of USADF's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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

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

assigned functions, to prevent or detect and correct misstatements on a timely basis

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

We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

We noted a certain matter involving internal control and its operation that we reported to management of USADF in a separate letter dated October 31, 2012.

This report is intended solely for the information and use of the Management of USADF, the Office of Inspector General of the U.S. Agency for International Development, the Government Accountability Office, OMB, and the U.S. Congress, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

GKA, P.C.

October 31, 2012

www.gkacpa.com

Independent Auditor's Report on Compliance with Laws and Regulations

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

We have audited the balance sheet and the related statements of net cost, changes in net position, budgetary resources, and custodial activity, hereinafter referred to as "financial statements" of the United States African Development Foundation (USADF) as of and for the year ended September 30, 2012, and have issued our report thereon dated October 31, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, the applicable provisions of Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of USADF is responsible for complying with laws and regulations applicable to USADF. As part of obtaining reasonable assurance about whether USADF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations and contracts, 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. 07-04, including certain requirements referred to in Section 803(a) of the *Federal Financial Management Improvement Act (FFMIA) of 1996*. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to USADF. However, our objective was not to provide an opinion on overall compliance with laws, regulations and contracts. Accordingly, we do not express such an opinion.

The results of our tests of compliance with laws, regulations and contracts described in the preceding paragraph, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04.

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

Under FFMIA, we are required to report whether USADF's financial management systems substantially comply with (1) federal financial management systems requirements (FFMSR), (2) applicable federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level in accordance with FFMIA Section 803(a) requirements.

The results of our tests disclosed no instances in which USADF's financial management systems did not substantially comply with the three requirements discussed in the preceding paragraph.

This report is intended solely for the information and use of the Management of USADF, the Office of Inspector General of the U.S. Agency for International Development, the Government Accountability Office, OMB, and the U.S. Congress, and is not intended to be, and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

GKA, P.C.

October 31, 2012

SECTION III

FINANCIAL STATEMENTS AND NOTES

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U.S. AFRICAN DEVELOPMENT FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2012 AND 2011 (In Dollars)

	2012	2011
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 32,559,397	$ 32,342,219
Total Intragovernmental	32,559,397	32,342,219
Cash, and Other Monetary Assets (Note 3)	4,934,940	6,251,959
Accounts Receivable, Net (Note 4)	400,853	870
Property, Equipment, and Software, Net (Note 5)	361,330	200,318
Other (Note 6)	3,153,764	3,537,060
Total Assets	$ 41,410,284	$ 42,332,426
Liabilities:		
Intragovernmental		
Other (Note 8)	$ 409,134	$ 58,896
Total Intragovernmental	409,134	58,896
Accounts Payable	44,948	-
Other (Note 8)	551,136	452,120
Total Liabilities	$ 1,005,218	$ 511,016
Net Position:		
Unexpended Appropriations	$ 35,008,410	$ 35,085,681
Cumulative Results of Operations	5,396,656	6,735,729
Total Net Position	$ 40,405,066	$ 41,821,410
Total Liabilities and Net Position	$ 41,410,284	$ 42,332,426

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)

		2012		2011
Program Costs:				
Foreign Grant Program:				
Gross Costs (Note 11)	$	23,846,812	$	23,449,408
Less: Earned Revenue		-		(296,484)
Net Program Costs	$	23,846,812	$	23,152,924
Costs Not Assigned To Programs	$	9,219,652	$	9,271,815
Net Cost of Operations (Note 10)	$	33,066,464	$	32,424,739

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)

		2012		2011
Cumulative Results of Operations:				
Beginning Balances	$	6,735,729	$	9,718,983
Adjustments				
Changes In Accounting Principles		-		(201,666)
Beginning Balances, as Adjusted		6,735,729		9,517,317
Budgetary Financing Sources:				
Appropriations Used		29,639,694		29,141,865
Donations and Forfeitures of Cash and Cash Equivalents		1,554,104		206,705
Other Financing Sources (Non-Exchange):				
Imputed Financing Sources (Note 12)		533,593		294,581
Total Financing Sources		31,727,391		29,643,151
Net Cost of Operations		(33,066,464)		(32,424,739)
Net Change		(1,339,073)		(2,781,588)
Cumulative Results of Operations	$	5,396,656	$	6,735,729
Unexpended Appropriations:				
Beginning Balances	$	35,085,681	$	35,666,873
Budgetary Financing Sources:				
Appropriations Received		30,000,000		29,441,000
Other Adjustments		(437,577)		(880,327)
Appropriations Used		(29,639,694)		(29,141,865)
Total Budgetary Financing Sources		(77,271)		(581,192)
Total Unexpended Appropriations	$	35,008,410	$	35,085,681
Net Position	$	40,405,066	$	41,821,410

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)

	2012	2011
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 10,465,456	$ 11,489,316
Recoveries of Prior Year Unpaid Obligations	3,691,672	210,693
Other changes in unobligated balance	(437,577)	(880,327)
Unobligated balance from prior year budget authority, net	13,719,551	10,819,682
Appropriations	31,554,104	29,721,232
Total Budgetary Resources	$ 45,273,655	$ 40,540,914
Status of Budgetary Resources:		
Obligations Incurred (Note 14)	$ 39,525,824	$ 30,075,458
Unobligated balance, end of year:		
Apportioned	2,161,564	5,244,083
Exempt from apportionment	1,319,247	2,232,652
Unapportioned	2,267,020	2,988,721
Total unobligated balance, end of year	5,747,831	10,465,456
Total Budgetary Resources	$ 45,273,655	$ 40,540,914
Change in Obligated Balance:		
Unpaid Obligations, Brought Forward, October 1	$ 28,128,722	$ 31,978,397
Obligations Incurred	39,525,824	30,075,458
Outlays (gross)	(32,216,368)	(33,714,440)
Recoveries of Prior Year Unpaid	(3,691,672)	(210,693)
Obligated balance, end of year		
Unpaid obligations, end of year	31,746,506	28,128,722
Obligated balance, end of year	$ 31,746,506	$ 28,128,722
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 31,554,104	$ 29,721,232
Budget Authority, net	$ 31,554,104	$ 29,721,232
Outlays, gross	$ 32,216,368	$ 33,714,440
Agency outlays, net	$ 32,216,368	$ 33,714,440

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)

	2012		2011	
Revenue Activity:				
Accrual Adjustments (Note 16)	$	364,317	$	-
Total Custodial Revenue		364,317		-
Disposition of Collections:				
Increase/(Decrease) in Amounts Yet to be Transferred		364,317		-
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, by-passing layers of inefficiencies and working directly with the neediest communities in Africa. The Foundation uses a participatory approach to actively engage marginalized local community groups or enterprises in the design and implementation of development projects. This approach ensures these programs are distinctively African initiated and led, resulting in outcomes that best address the real needs of the community. Together, the focus on underserved populations and participatory development 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, local non-governmental organizations, that provide project design, implementation and management support to USADF grant recipients. The Foundation reporting entity is comprised of Trust Funds 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 under served and marginalized groups in Africa.

The Foundation holds custodial receivables that are non-entity assets and, if collected, will be transferred to Treasury at fiscal year-end.

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* 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 that are used to monitor and control the Foundation's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates 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 with/outside the Treasury are available to pay agency liabilities. Funds held outside US 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 US 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, Citibank and 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 translated into dollars at the actual exchange rate received by the Foundation when the transaction is made. The value of obligations incurred by the Foundation in foreign currencies varies from time to time depending on the current exchange rate. The Foundation adjusts the value of both funds held outside of treasury and obligations during the year to reflect the prevailing exchange rates. Downward adjustments to prior year obligations based on favorable foreign currency exchange rates will be made available for obligation. Upward adjustment to prior year obligations based on unfavorable foreign currency exchange rate with the U.S. dollar will be made from funds made available for upward adjustments. Obligations in the appropriated multi-year funds will not be adjusted based on the foreign exchange rate until they are paid out.

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 advances. The total grant advance is fifty 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, and disbursement activity funding that quarter's activity. 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 consists 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
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.

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 represents funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, 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. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

L. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the USADF 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. 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 communicate these factors to the USADF for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The USADF recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

N. Other Post-Employment Benefits

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. The USADF recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the USADF through the recognition of an imputed financing source.

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 often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The USADF recognized imputed costs and financing sources in fiscal years 2012 and 2011 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2011 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, 2012 and 2011 were as follows:

	2012	2011
Fund Balances:		
Trust Funds	$ 36,154	$ 36,154
Appropriated Funds	32,523,243	32,306,065
Total	$ 32,559,397	$ 32,342,219
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 2,161,564	$ 5,244,083
Unavailable	2,267,020	2,988,721
Obligated Balance Not Yet Disbursed	28,094,659	24,073,261
Exempt from Apportionment	36,154	36,154
Total	$ 32,559,397	$ 32,342,219

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

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, 2012 and 2011, totaled $4,934,940 and $6,251,959, respectively. The comparative balances are summarized below:

	2012	2011
EcoBank Mali	$ 823,627	$ 1,238,845
Stanbic Bank of Uganda	778,956	901,037
Banque Commerciale du Rwanda	312,180	892,145
Bank Gaborone of Botswana	498,661	751,392
EcoBank Benin	941,854	700,646
EcoBank Senegal	161,967	537,694
Banco Comercial do Atlantico, Cape Verde	269,401	342,425
EcoBank Guinea	229,102	287,432
Zenith Bank Nigeria-Kaduno	135,447	254,025
Zenith Bank Nigeria-Kano	135,447	152,284
Citibank, Nigeria-Jigawa	31,872	33,473
National Bank of Malawi	566,743	62,476
Standard Chartered, Ghana	2,582	31,283
First National Bank Swaziland	18,754	36,219
Standard Chartered Bank, Zambia	28,347	30,583
Total Funds Held Outside Treasury	$ 4,934,940	$ 6,251,959

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2012 and 2011, were as follows:

		2012		2011
With the Public				
Accounts Receivable	$	513,217	$	521,573
Allowance		(112,364)		(520,703)
Total Public Accounts Receivable	$	400,853	$	870
Total Accounts Receivable	$	400,853	$	870

The accounts receivable is made up of a small amount of employee receivables and also includes terminated grants. Historical experience has indicated that a portion of the receivables will not be collectible.

Accounts receivable from the public are shown net of allowances for uncollectible amounts of $400,853 and $870, as of September 30, 2012 and 2011, respectively.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2012

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Furniture & Equipment	$	1,642,322	$	1,280,992	$	361,330
Total	$	1,642,322	$	1,280,992	$	361,330

Schedule of Property, Equipment, and Software as of September 30, 2011

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Furniture & Equipment	$	914,359	$	714,041	$	200,318
Total	$	914,359	$	714,041	$	200,318

NOTE 6. OTHER ASSETS

Other assets account balances as of September 30, 2012 and 2011, were as follows:

	2012	2011
With the Public		
Grant Advances	$ 3,141,045	$ 3,537,060
Travel Advances	12,719	-
Total Public Other Assets	$ 3,153,764	$ 3,537,060

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for USADF as of September 30, 2012 and 2011 include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2012	2011
Intragovernmental – FECA	$ 2,344	$ 2,345
Intragovernmental – Unemployment Insurance	-	9,858
Unfunded Leave	316,230	284,495
Total Liabilities Not Covered by Budgetary Resources	$ 318,574	$ 296,698
Total Liabilities Covered by Budgetary Resources	686,644	214,318
Total Liabilities	$ 1,005,218	$ 511,016

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits 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, 2012 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	2,344	$	-	$	2,344
Payroll Taxes Payable		42,473		-		42,473
Custodial Liability		-		364,317		364,317
Total Intragovernmental Other Liabilities	$	44,817	$	364,317	$	409,134
With the Public						
Payroll Taxes Payable	$	5,262	$	-	$	5,262
Accrued Funded Payroll and Leave		229,644		-		229,644
Unfunded Leave		316,230		-		316,230
Total Public Other Liabilities	$	551,136	$	-	$	551,136

Other liabilities account balances as of September 30, 2011 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	2,345	$	-	$	2,345
Unemployment Insurance Liability		9,858		-		9,858
Payroll Taxes Payable		46,693		-		46,693
Total Intragovernmental Other Liabilities	$	58,896	$	-	$	58,896
With the Public						
Accrued Funded Payroll and Leave	$	167,625	$	-	$	167,625
Unfunded Leave		284,495		-		284,495
Total Public Other Liabilities	$	452,120	$	-	$	452,120

NOTE 9. LEASES

Operating Leases

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 and commenced on May 1, 2008 and expires on April 30, 2018. Lease payments are increased 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
2013	$	791,444
2014		815,142
2015		835,506
2016		856,433
Thereafter		1,397,274
Total Future Payments	$	4,695,799

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

NOTE 10. NET COST OF OPERATIONS

Costs by major budget object classification as of September 30, 2012 and 2011 are as follows:

		2012		2011
Personnel compensation	$	3,989,675	$	3,227,753
Personnel benefits		1,357,299		1,133,267
Benefits to former employees		20,168		-
Travel and transportation of persons		625,906		836,190
Rent, communications, and utilities, etc.		978,404		909,590
Printing		15,512		34,659
Other services		2,792,894		3,987,182
Supplies and materials		135,685		752,441
Equipment		82,430		97,217
Land & structures		15,106		-
Grants, subsidies & contributions		23,053,385		21,446,440
Total Net Cost of Operations	$	33,066,464	$	32,424,739

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between 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:

	2012	2011
Foreign Grant Program		
Public Costs	$ 23,846,812	$ 23,449,408
Total Program Costs	23,846,812	23,449,408
Public Earned Revenue	-	(296,484)
Net Program Costs	23,846,812	23,152,924
Costs Not Assigned To Programs	9,219,652	9,271,815
Total Net Cost	$ 33,066,464	$ 32,424,739

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, 2012 and 2011, respectively, imputed financing was as follows:

	2012	2011
Office of Personnel Management	$ 533,593	$ 294,581
Total Imputed Financing Sources	$ 533,593	$ 294,581

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

The President's Budget that will include fiscal year 2012 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2013 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2013 Budget of the United States Government, with the "Actual" column completed for 2011, 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 2012 consisted of the following:

	2012	2011
Direct Obligations, Category A	$ 9,089,678	$ 8,781,494
Direct Obligations, Category B	27,162,527	21,293,964
Direct Obligations, Category C	3,273,619	-
Total Obligations Incurred	$ 39,525,824	$ 30,075,458

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 C 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, 2012 and 2011, undelivered orders amounted to the following:

	2012	2011
Undelivered Orders	$ 34,577,943	$ 31,451,463
Total Undelivered Orders	$ 34,577,943	$ 31,451,463

NOTE 16. CUSTODIAL ACTIVITY

The USADF is an administrative agency collecting for the General Fund. Currently there are no actual collections, but a balance is reported for accrual adjustments. This represents accounts receivable due to the USADF which was associated with cancelled funds and, if collected, will be returned to Treasury.

NOTE 17. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

		2012		2011
Resources Used to Finance Activities:				
Budgetary Resources Obligated				
Obligations Incurred	$	39,525,824	$	30,075,458
Spending Authority From Offsetting Collections and Recoveries		(3,691,672)		(210,693)
Obligations Net of Offsetting Collections and Recoveries		35,834,152		29,864,765
Other Resources				
Imputed Financing From Costs Absorbed By Others		533,593		294,581
Total Resources Used to Finance Activities		36,367,745		30,159,346
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		(3,126,479)		2,330,017
Resources That Fund Expenses Recognized In Prior Periods		(9,858)		(7,783)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations				
Other		-		206,705
Resources That Finance the Acquisition of Assets		(397,955)		(194,576)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations		-		(73,527)
Total Resources Used to Finance Items Not Part of Net Cost of Operations		(3,534,292)		2,260,836
Total Resources Used to Finance the Net Cost of Operations		32,833,453		32,420,182
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:				
Components Requiring or Generating Resources in Future Periods				
Increase In Annual Leave Liability		31,736		-
Other		-		12,202
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods		31,736		12,202
Components Not Requiring or Generating Resources				
Depreciation and Amortization		236,943		150,008
Revaluation of Assets or Liabilities		-		(156,783)
Other		(35,668)		(870)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources		201,275		(7,645)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period		233,011		4,557
Net Cost of Operations	$	33,066,464	$	32,424,739

operations.

NOTE 18. CONTINGENT LIABILITIES

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, 2012. According to the Foundation's legal counsel, the likelihood of unfavorable outcomes for any legal actions and claims is remote. In the opinion of the Foundation's management, the ultimate resolution of any proceedings, actions, and claims will not materially affect the financial position or results of operations of the Foundation.

SECTION IV

OTHER ACCOMPANYING INFORMATION

U.S. AFRICAN DEVELOPMENT FOUNDATION
SCHEDULE OF SPENDING
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
(In Dollars)

	2012
What Money is Available to Spend?	
Total Resources	$ 45,273,655
Less Amount Available but Not Agreed to be Spent	3,480,811
Less Amount Not Available to be Spent	2,267,020
Total Amounts Agreed to be Spent	$ 39,525,824
How was the Money Spent?	
Category	
Personnel compensation	$ 3,896,153
Personnel benefits	822,665
Benefits to former employees	30,026
Travel and transportation	635,218
Rents, communications, etc.	978,208
Printing	15,512
Other Services	2,808,376
Supplies and material	126,356
Equipment	194,758
Land and Structures	15,106
Grants, subsidies and contributions	22,693,990
Total Spending	32,216,368
Unpaid obligations, end of year	31,746,506
Less Unpaid obligations brought forward, October 1	28,128,722
Plus Recoveries	3,691,672
Amounts Remaining to be Spent	7,309,456
Total Amounts Agreed to be Spent	$ 39,525,824
Where did the Money go to?	
Federal Obligations	$ 2,044,293
Non-Federal Obligations	36,227,745
Non-Federal (Personal Service Contractors)	1,253,786
Total Amounts Agreed to be Spent	$ 39,525,824