Office of Inspector General

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 2011 and 2010 (Audit Report No. 0-ADF-12-003-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, 2011 and 2010, 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 2011 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, 2011 and 2010, in conformity with accounting principles generally accepted in the United States of America.

The report contained one material weakness 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 was responsible for the attached auditor's report dated November 14, 2011, 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.

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United States African Development Foundation

PERFORMANCE AND ACCOUNTABILITY REPORT

Fiscal Year 2011

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SECTION I

OVERVIEW

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November 14, 2011

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2011 Performance and Accountability Report for the United States African Development Foundation (USADF). USADF is committed to achieving the highest levels of effective and efficient operations, full transparency and accountability in financial reporting, and full compliance with applicable laws and regulations.

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

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 2011, 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.

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[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 September 30, 2011 USADF had over 400 active project grants and small grants in 23 countries, representing more than $60 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 2011 to improve operational efficiencies.

Staff Table

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

USADF Strategic Priorities

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. High effectiveness, low overhead: 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. Focus on marginalized communities*:* 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. Investing in Africans and their ideas*:* 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. <u>Encouraging and expanding African management:</u> 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. <u>Maintaining the highest level of openness and transparency in the U.S. Government:</u> 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. <u>Developing an equal opportunity, results driven staff team:</u> that provides equal opportunities, and rewards hard work, dedication to the mission.

<u>Supporting Administration Priorities in Marginalized Area</u>

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

	*Active Projects	Active Value (USD)
Benin	25	3,476,479
Burkina Faso	28	3,202,999
Burundi	17	2,133,454
Guinea	5	819,502
Liberia	31	3,906,432
Mali	13	2,400,184
Mauritania	23	3,254,148
Niger	16	3,501,728
Rwanda	17	3,400,426
Senegal	19	2,098,364
Kenya	17	2,099,706
Malawi	19	3,395,265
Tanzania	26	4,734,827
Uganda	30	5,361,782
Zimbabwe	18	3,218,572
Somalia	4	959,667
Botswana	16	2,360,225
Cape Verde	22	3,616,487
Ghana	8	1,949,671
Nigeria	38	5,130,434
Swaziland	1	237,534
Zambia	29	4,091,335
Total	422	65,349,221
Small Grants	121	959,534

**Bold Italics note a Feed the Future Country*

In FY 2011, USADF began 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.

Performance Summary and Discussion

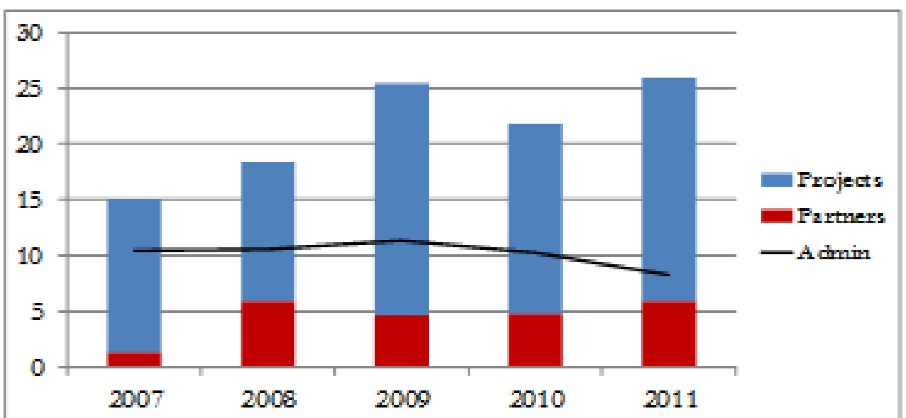
The summary charts below reflect several aspects of USADF improved performance in 2011. USADF funded a record high number and value of grants in 2011, continuing a five year growth trend. This growth was achieved while lowering administration costs over the same period. These improvements included faster disbursement processing cycle times, better workload distribution across the calendar year, and outsourcing initiatives.

Productivity Gains – Increased Programs and Decreased Operating Expenses

2007 - 2011 Program Funding

FY	2007	2008	2009	2010	2011
Project Grants	13.7	12.5	20.7	17	20.0
Partner Grants	1.4	5.9	4.7	4.9	5.9

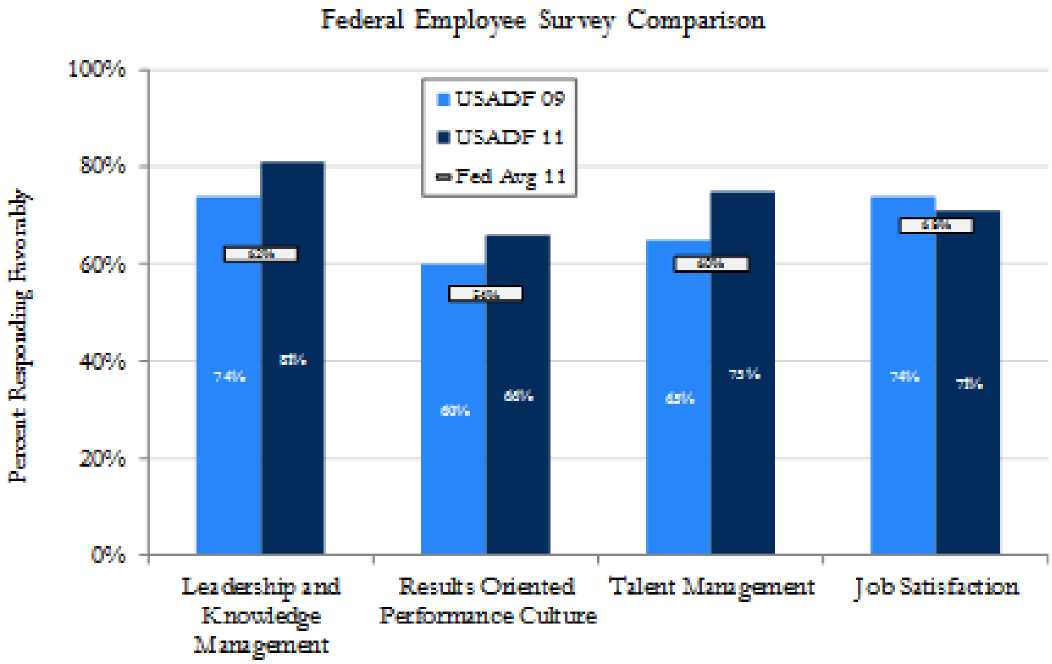
Total Grant Funding vs. Admin Expense ($ Million)



Organizational Improvements

The 2011 All Employee Survey revealed a remarkable improvement in USADF employee attitudes about the management, operations, and mission of USADF. The chart below highlights five different categories of the improved employee attitudes compared to earlier surveys and with the overall Federal employee population. USADF scored among the highest of all Federal Agencies and scores well about Federal averages in all categories.

USADF Survey Responses Surpass Federal Benchmarks



Program Results

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 statement, based on USADF's most recent annual assessment of program performance indicators, provides an overview of the positive impact USADF grants are having in marginalized communities across Africa.

"The current portfolio of <u>400</u> project grants and <u>120</u> small grants benefits an estimated <u>900,000</u> people in <u>marginalized</u> communities by providing people with <u>the opportunity to engage in the development process</u> and gain social and economic benefits from the more than <u>$265</u> million dollars of new economic activities generated over the extended grant period."

Analysis of Financial Statements

USADF is pleased to report that in FY 2011 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* decreased, from $34.2 million at the end of FY 2010 to $32.3 million at the end of FY 2011. The difference of $1.9 million is due to continued efforts to improve the speed of grant disbursement processing.

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 $9.2 million at the end of FY 2010 to $6.2 million at the end of FY 2011.

Liabilities and Net Position

Liabilities did change significantly from FY 2010 to FY 2011. USADF's *Net Position* (the sum of the Unexpended Appropriations and Cumulative Results of Operations) at the end of 2011 as shown on the Balance Sheet and the Statement of Changes in Net Position was $41.8 million, a $3.6 million decrease from the previous fiscal year's balance of $45.4. This decrease is explained in the subsequent section regarding the *Fund Balance with Treasury*. *Unexpended Appropriations* of $35.1 million represents funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2011. *Cumulative Results of Operations* of $6.7 million consists primarily of funds donated by strategic partners that were not expended by the end of FY 2011.

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, decreased from $24.6 million in FY 2010 to $23.1 million in FY 2011, due primarily to a decrease in overall funding. Costs not assigned to programs, such as office expenses, staff salaries, and other administrative costs, decreased from $9.6 million in FY 2010 to $9.3 million in FY 2011 as a result of the priority set by USADF management to move toward achieving the lowest overhead rate in the Federal government.

Forty-five percent of USADF's non-program expenses are related to payroll. Thirty-seven percent relates to rent, travel, supplies, publications, training, contractual services, and information technology; the remaining 18 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 2010 appropriations were $30.0 million; its FY 2011 appropriations are $29.4 million. USADF received $207 thousand in donations from strategic partners, representing a decrease of $4.4 million from the $4.6 million received in FY 2010.

Unobligated Balances decreased from $11.5 million at the end of FY 2010 to $10.5 million at the end of FY 2011. The *Obligations Incurred* line decreased from $35.4 million in FY 2010 to $30.1 million in FY 2011. The decrease of $5.3 million is due to multiple factors among which are foreign currency adjustments, an across-the-board cut of appropriations, a substantial drop in the collection of donated funds from Strategic Partners and the reduction of costs associated with administration and grant programming.

USADF Internal Controls, and Legal Compliance

Management Assurance Statements

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 provide a qualified statement of assurance.
/s/
Lloyd O. Pierson, President

Internal Control over Financial Reporting Assurance Statement

The United States African Development Foundation's management is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations. USADF assesses the effectiveness of USADF's internal control over financial reporting and is working toward full compliance with OMB Circular A-123, Management's Responsibility for Internal Control. USADF is already addressing the one material internal control finding and outsourcing to Administrative Resource Center of the Bureau of Public Debt (ARC/BPD) should facilitate a timely corrective action. With the exception of the finding referenced above, USADF can provide reasonable assurance that internal control over financial reporting as of September 30, 2011 is operating effectively and that no other material weaknesses have been found in the design or operation of the internal controls over financial reporting.
/s/
Lloyd O. Pierson, President

Annual Assurance Statement on Financial Management System

The United States African Development Foundation has been using Oracle Federal Financial System hosted by National Business Center (NBC) under Department of Interior since FY 2004. Based on the results provided in the FY 2011 SSAE 16 Report on Oracle Federal Financial System, I am able to provide a reasonable assurance that the USADF's Financial Management Systems conforms to government-wide requirements mandated by the FFMIA and OMB Circular No. A-127, <u>Financial Management Systems</u>, section 7.
/s/
Lloyd O. Pierson, President

OMB Circular A-123 Compliance Improvements

In 2011, 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 has a draft report and recommendations approved by the President.

Internal Audit Function

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

In 2011 the USADF Internal Audit unit made significant progress in implementing a systematic plan and approach to review the financial management and accounting for USADF funds provided to project grants, partner grants, and country coordinator offices.

Financial Audits in FY2011	Scheduled	Performed
Projects Grants	54	54
Partner Grants	19	17
Coordinator Offices	6	6

Integrated Contracting and Financial Management Practices

In FY 2011, USADF outsourced financial management, contracting, and travel management functions to the Bureau of Public Debt's Administrative Resource Center. This will provided for an integrated Contracting / Financial Accounting capability to improve the contracting process through online records management, improvements to process controls and reporting, greater standardization of policy, and increased assurances of compliance with the Federal Acquisition regulations. USADF also expanded its inter agency agreement with the National Business Center to take on expanded Human Resource management functions.

Grant Monitoring

Closely tracking the progress of grant implementation plans and budgets is an important aspect 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. Recent updates to the monitoring roles of the Country Coordinator and Regional Director ensure Partners are providing the technical support to Grantees consistent with the terms of their cooperative agreement. Monitoring includes regular reviews of Grantees' quarterly reports, and periodic sites visits to Grantees by Partner Organizations, and by USADF staff. Each project grant with a value greater than $100,000 receives an independent financial audit on the use of USADF grant funds. At the end of a grant period, 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 about the sustainability of the project.

Additionally, Regional Directors conduct bi-annual portfolio performance reviews with their country teams to monitor and assess project performance within their respective regions. USADF management also conducts bi-annual program reviews with Regional Directors to ensure there is a clear line of accountability for the overall effectiveness of grant programs. Based on the review, grants are given a performance grade using a common 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. The most recent assessment was conducted on November 3, 2011.

Grant Evaluation

In late FY 2009, the new monitoring and evaluation unit at USADF commissioned POSDEV, an independent, African NGO based in Ghana to conduct an extensive program and grant evaluation across 15 countries in Africa.

The Program evaluation has the following three components:

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

3) Standardized sample surveys of workers and farmers or other primary raw material suppliers for the projects included in the in-depth evaluations.

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 technical assistance and training in implementation very useful or better	94%
USADF-required training on financial management and reporting very useful or better	93%
Project development and review process good or better	90%

Most Frequently Mentioned Grantee Recommendations:

Project Design and Review

- The quality of USADF support for technology selection and procurement needs to be improved.
- Partner Organization staff and consultants should work more closely with the clients in a more genuinely participatory manner.
- The quality of market assessment and marketing support needs to be improved.

Project Implementation

- Reduce disbursement delays and roadblocks.
- Training and technical assistance need to be more closely tailored to the actual needs of the clients instead of providing the same standardized training to all Grantees when that may be unnecessary or inappropriate.
- Partner Organizations should visit Grantees more frequently for monitoring, troubleshooting, and support.

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 2011, 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 2011 programs. Working from a base budget of $29.4 million, dealing with several continuing resolutions (CRs), and undertaking a major outsourcing effort USADF was able to provide over $20.1 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 2011, USADF used over $2.5 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 - 2011 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 2011. In 2011 USADF reached its highest year of grant funding in its 30 year history.

Comparative Performance Table:

Measure	FY 2007 Achievement	FY 2008 Achievement	FY 2009 Achievement	FY 2010 Achievement	*FY2011Target*	FY 2011 Achievement
Development Grant Funding Levels[1]	$15 million	$18 million	$25 million	$22 million	*$27 million*	$26 million
Grant 1st Disbursement Timing	214 days	146 days	78 days	57 days	*45 days*	53 days
Operating Expense Ratio[2]	46%	36%	35%	34%	*<34%*	28%

[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 increased significantly from $22 million in 2010 to $26 million in 2011. The target of $27 million in grant funding was missed primarily due to the non-receipt of strategic partner matching funds from Nigeria 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 2011, 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, 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.

Program Monitoring and Evaluations

Each project grant funded by USADF includes specific set of goals and objectives, and a line item budget as a part of the standard grant agreement. For active grants, these documents may be viewed online at the USADF website. Progress toward achievement of these goals and an accounting of the use of grant funds is monitored on a quarterly basis through a grantee report. The grantee quarterly reports are reviewed by Partner Organizations, Country Coordinators, and USADF Washington staff to closely track and assess the grantee's progress and performance. The grant agreements and quarterly reports are on file with USADF and may be provided upon request. Partner Organizations, USADF Country Coordinators, and USADF Washington staff (including the President and Board of Directors) also conduct regular monitoring site visits to each USADF grantee, and summarize their findings in site visit reports. Timeframes for USADF grants range from two to five years in duration. At the end of a grant period, the Partner Organizations and USADF staffs complete a grant close-out process that includes a full accounting for the use of grant funds, and an assessment of the project's outcomes and its sustainability.

Each partner organization funded by a cooperative grant agreement provides USADF with a monthly report that includes both project and financial management information used by USADF to assess the performance of the grantee. A new partner performance and assessment model was developed in FY 2009 and implemented FY 2011.

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 3.7 in FY 2009. 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 2009

(FY 2010 Indicators are still being finalized at the time of this report. We expect the final report to be completed by the end of January, 2012)

Indicator	FY 06 Actual	FY07 Actual	FY08 Actual	FY09 Actual
Cumulative Revenue Growth, active and recently expired (USD thousands)	$43,288	$63,044	$112,355	$106,498
Investment Multiplier, active and recently expired	**2.0**	**3.8**	**6.3**	**3.7**
Cumulative Export Revenue Growth, active and recently expired (USD thousands)	ND	$4,970	$18,038	$21,600
Net Income Before Income Taxes and Depreciation, active (USD thousands)	$3,106	$11,952	$17,364	$15,530
Profitability, active	**44.0%**	**71.0%**	**68.7%**	**73%**
Owners, Full-Time Workers, and Principal Raw Material Suppliers or Farms, active	46,553	44,464	106,814	129,400
Salaries, wages, and bonuses paid by grantees, active (USD 000)	ND	ND	$5,640	$6,642
Sustainability, expired	**62%**	**84%**	**79%**	**70%**

November 14, 2011

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION
MESSAGE FROM THE CFO

I am pleased to present the Fiscal Year 2011 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, 2011 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).

In 2011, USADF initiated business process changes and cost efficiencies to provide for a fully integrated financial system for October 2012 obtaining support via an Inter-Agency Agreement (IAA) with ARC/BPD. This action along with additional training will enable ADF employees to perform their jobs more efficiently and will provide for a more effective financial system and processes, including resolution of the material weakness regarding internal controls in Financial Reporting noted by the auditor.

/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, 2011 and 2010, and the related statements of net cost, changes in net position, and budgetary resources (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, 2011, 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*.

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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 November 14, 2011, 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.

November 14, 2011

gka, p.c.
Certified Public Accountants
& Consultants

Independent Auditor's Report on Internal Control over Financial Reporting

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

We have audited the balance sheet and the related statements of net cost, changes in net position, and budgetary resources, hereinafter referred to as "financial statements" of the United States African Development Foundation (USADF) as of and for the year ended September 30, 2011, and have issued our report thereon dated November 14, 2011. 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 assigned functions, to prevent or detect and correct misstatements on a timely basis.

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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.

However, we noted a certain matter discussed in the following paragraph involving the internal control over financial reporting and its operation that we consider to be a material weakness. This material weakness, as defined above, is summarized below with further explanations and USADF's Management's response in **Exhibit I** of this report.

Material Weakness

Internal Control over Financial Reporting was not Effective

During our audit of USADF's financial statements for FY 2011, we noted instances where USADF's internal control over financial reporting did not work effectively. Specifically, we noted the following:

- Reconciliations between the subsidiary listings and the general ledger on key financial accounts were not performed on a regular basis.

- Financial management functions specific to monitoring, analysis, oversight, and reconciliations were not adequate.

- Second quarter and year–end financial statements were not produced and submitted timely. Although the year- end financials and Performance and Accountability Report were presented together on November 9, 2011, the requirement under OMB A-136 requires this information to be submitted by November 1st of each year.

USADF management's responses to our finding and recommendations have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any form of assurance on the appropriateness of the responses or the effectiveness of any corrective action described therein.

We also noted other matters involving internal control and its operation that we reported to management of USADF in a separate letter dated November 14, 2011.

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.

November 14, 2011

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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, and budgetary resources, hereinafter referred to as "financial statements" of the United States African Development Foundation (USADF) as of and for the year ended September 30, 2011, and have issued our report thereon dated November 14, 2011. 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.

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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.

November 14, 2011

EXHIBIT 1

MATERIAL WEAKNESS

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MATERIAL WEAKNESS

Internal Control over Financial Reporting was not Effective

During our audit of USADF's financial statements for FY 2011, we noted instances where USADF's internal control over financial reporting did not work effectively. Specifically, we noted the following:

- Reconciliations between the subsidiary listings and the general ledger on key financial accounts were not performed on a regular basis.

- Financial management functions specific to monitoring, analysis, oversight, and reconciliations were not adequate.

- Second quarter and year–end financial statements were not produced and submitted timely. Although the year- end financials and Performance and Accountability Report were presented together on November 9, 2011, the requirement under OMB A-136 requires this information to be submitted by November 1st of each year.

The Accountability of Tax Dollars Act of 2002 (ATDA) requires USADF to submit to Congress and the Director of the Office of Management and Budget (OMB) audited financial statements, as defined by OMB Bulletin 07-04, as amended, *Audit Requirements for Federal Financial Statements.*

To be able to produce timely and accurate financial statements, USADF is required to develop a system to prepare and submit financial statements on a timely basis in accordance with accounting principles generally accepted in the United States of America. The statements are to result from an accounting system that is an integral part of an integrated financial management system containing sufficient structure, effective internal control and reliable data.

During FY 2011, USADF did not have adequate expertise to perform financial management accounting and reporting. This lack of expertise existed for most part of the year and hence affected statutory deliverables and delays in issuing audited financial statements.

We acknowledge that USADF was pro-active and contracted with the Administrative Resource Center of the Bureau of Public Debt (ARC/BPD) based in Parkersburg, W.V., to prepare its FY 2011 year-end financial statements and meet remaining reporting deadlines.

USADF had already signed an Interagency Agreement with ARC/BPD for financial management, procurement and travel services beginning FY 2012.

Office of Management and Budget (OMB) Circular No. A-123, as revised, *Management's Responsibility for Internal Control,* requires transactions to be promptly recorded, properly classified and accounted for in order to prepare timely accounts and reliable financial and other reports. The documentation for transactions, management controls, and other significant events should be clear and readily available for examination.

Office of Management and Budget (OMB) Circular No. A-136, as amended, *Financial Reporting Requirements,* defines the form and content of the financial statements to be prepared and requires the submission of Performance and Accountability Reports (PAR) to the Office of Management and Budget (OMB), Government Accountability Office (GAO) and Congress no later than 45 calendar days after the end of the fiscal year. Draft reports should be provided to OMB by November 1 before issuing the final report.

By not performing management functions specific to monitoring, analysis, oversight, and reconciliations, there is the risk that discrepancies may exist but go undetected and uncorrected; thereby causing the financial information to be misstated. Effective management oversight greatly increases USADF's ability to proactively identify and resolve issues that could result in misstatements in financial accounting and reporting records.

Additionally, there could be delays in statutory deliverables including issuing audited financial statements.

RECOMMENDATION:

We recommend that USADF management:

1. Allocate the resources and appropriate skills needed throughout the USADF to meet financial recording and reporting responsibilities.

2. Provide on-going training to USADF employees on federal accounting and reporting requirements, to complement the services of the accounting service provider.

MANAGEMENT RESPONSE:

The effective management oversight by ADF Management has enabled it to be fully aware of and to pro-actively address and remedy shorting comings with financial management and reporting and a range of other administrative functions even before this audit period began. ADF Management has been up-grading its finance, budget and other administrative functions for several years. The CFO was replaced in October 2008 after a gap of several months. The primary position responsible for budget was re-filled in February, 2010 with an experienced individual with both budget and accounting backgrounds.

ADF Management recognized problems inherent in a small agency which lacked integrated financial management, contracting, travel and other administrative systems. Multiple separate systems had been acquired for different purposes and these required the entering and re-entering of data between three and five times instead of potentially once in a fully integrated system. These systems were being serviced and run by different private contractors, federal service providers and ADF employees.

In order to achieve improvements in services and in order to reduce expenses, ADF Management first considered re-engineering its business process arrangements in the fall of 2009. These desires and a review of other available public and private options led ADF Management in March 2010 to initially approach the Administrative Resource Center of the Bureau of Public Debt, Department of Treasury located in Parkersburg, WV concerning providing integrated financial management, contract, travel, human resources, information technology and budget services.

Extensive information concerning ADF services and systems was requested by ARC/BPD. These materials were provided and reviewed during the summer and fall of 2010 before it was decided that they were interested in ADF as a customer. ADF Management was clear that it wanted to move forward on a schedule that would implement for October 1, 2011—the beginning of FY 2012. Cost estimates showed that savings exceeding $1 million or more than ten percent of operating expenses might be achieved annually.

In the late spring of 2010, it was decided to extend to November 2010 the existing contract for the external accounting firm which had provided quality accounting services to ADF for a number of years. ADF undertook to hire a senior federal accountant to be responsible for managing this function. The three most senior personnel left the external contract before the six month period was completed. The federal hiring process was slower than optimal and extended through the summer. ADF hired a federal accountant with over 30 years of experience, but it was not possible to achieve an overlap with the departing external senior accountant. In order to assure appropriate training, ADF Management contracted for 80 hours of direct training by the exiting accountant for the arriving accountant. This training, which took place mostly in November and early December 2010, proved less than sufficient.

The FY 2011 first quarter financial reports were completed and posted on time by ADF budget staff. ADF Management retained several junior accounting staff from the external contractor. In January 2011, ADF Management entered a transition Inter-Agency Agreement (IAA) with ARC/BPD in order to complete all the systems and data shifts and training necessary to implement integrated finance, contract and travel services. ADF negotiated another IAA for full human resources and personnel security services with the National Business Center of the Department of Interior located in Colorado also to begin October 1, 2011. Information technology services remain with ADF.

Throughout the audit, beginning with the Entrance Conference on March 10, 2011, and at subsequent audit meetings, ADF Management was fully transparent about the transition process it was undertaking and with the challenges and problems related to the audit function. ADF was also straight forward in keeping the Auditors apprised of the issues it was addressing with the Treasury related to providing timely quarterly reporting. Simultaneous transition challenges, financial reporting requirements and audit requests led to delays in presenting requested audit documentation.

It became apparent that the accounting function was not performing up to expectations when errors were discovered by ADF Management in the postings to the General Ledger and to Quick Books and when the second quarter financial reports were not completed in a timely manner. ADF budget staff completed and posted this report. ADF Management acted to address this situation by re-hiring two of the senior accounting staff who had previously left the external accounting services contract. These individuals undertook identifying and correcting the General Ledger and Quick Books postings and the more senior undertook completing the third quarter financial reporting—a task that he had carried out for ADF over the prior four years.

ADF Management, still not satisfied with the performance of the accounting function, in early June approached ARC/BPD to support ADF in completing the fourth quarter and end of fiscal year financial reporting for the Foundation. This additional IAA was negotiated when BPD agreed to take on this additional role. The ADF federal staff accountant voluntarily retired at the end of September, 2011. ADF Management retained one of the two more senior external accounting staff to replace one of the less experienced. ADF resolved the issues with Treasury to provide for second and third quarter financial reporting and met all the fourth quarter and end of FY 2011 financial reporting requirements of the Department of Treasury and the Office of Management and Budget in a timely and accurate manner. ADF Management has retained some of the external accounting staff through mid-December to assist in the full transition and implementation to ARC/BPD.

ADF Management has had satisfactory annual audits for the past several years. During this FY 2011 Annual Audit period, the systems of internal control and financial management did not change, nor did the overall number of personnel carrying out these functions. USADF maintained adequate accounting systems that provided for: (1) complete disclosure of the financial results of the activities of the agency, (2) adequate financial information for agency management and for formulation of and execution of the budget, and for (3) effective controls over revenue, expenditures, funds, property, and other assets. However, this period of major transition to outsourced services has included significant personnel turnover in the accounting, contracting and other functions. ADF Management has quickly recognized and actively addressed problems identified in the accounting function and believes that ARC/BPD provision of these services in the future will remedy most of the FY 2011 shortcomings. Even with changes in staffing described above, at no time was there not funds control.

USADF Management accepts the above two recommendations related to the Internal Control over Financial Reporting Audit Finding. USADF Management continues to address the personnel turnover in the accounting, contracting and other functions which has occurred during this major transition in order to ensure sufficiency of appropriately skilled resources to meet financial management and reporting requirements. ADF Management also agrees that there should be on-going training for remaining USADF financial management employees regarding federal accounting and reporting requirements, to complement the services of the financial management services provider. ADF Management expects that, with the new financial management services provider and with the reduced demands of the transition process, financial reporting and services, and audit responsiveness will improve in FY 2012.

SECTION III

FINANCIAL STATEMENTS AND NOTES

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AFRICAN DEVELOPMENT FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2011 AND 2010
(In Dollars)

		2011		2010
Assets:				
Intra-governmental				
Fund Balance With Treasury (Note 2)	$	32,342,219	$	34,210,689
Total Intra-governmental		32,342,219		34,210,689
Cash, and Other Monetary Assets (Note 3)		6,251,959		9,257,024
Accounts Receivable, Net (Note 4)		870		-
Property, Equipment, and Software, Net (Note 5)		200,318		394,569
Advances and Prepayments (Note 6)		3,537,060		2,053,348
Total Assets	$	42,332,426	$	45,915,630
Liabilities:				
Intra-governmental				
Other (Note 8)	$	58,896	$	-
Total Intra-governmental		58,896		-
Accounts Payable		-		70,220
Other (Note 8)		452,120		459,554
Total Liabilities	$	511,016	$	529,774
Net Position:				
Unexpended Appropriations	$	35,085,681	$	35,666,873
Cumulative Results of Operations		6,735,729		9,718,983
Total Net Position	$	41,821,410	$	45,385,856
Total Liabilities and Net Position	$	42,332,426	$	45,915,630

AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Program Costs:		
Foreign Grant Program:		
Gross Costs (Note 11)	$ 23,449,408	$ 24,569,237
Less: Earned Revenue (Note 11)	(296,484)	-
Net Program Costs	$ 23,152,924	$ 24,569,237
Costs Not Assigned To Programs	$ 9,271,815	$ 9,611,359
Net Cost of Operations	$ 32,424,739	$ 34,180,596

AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Cumulative Results of Operations:		
Beginning Balances	$ 9,718,983	$ 9,700,584
Adjustments		
Changes In Accounting Principles	(201,666)	-
Beginning Balances, as Adjusted	9,517,317	9,700,584
Budgetary Financing Sources:		
Appropriations Used	29,141,865	29,214,034
Donations and Forfeitures of Cash and Cash Equivalents	206,705	4,657,568
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 12)	294,581	327,393
Total Financing Sources	29,643,151	34,198,995
Net Cost of Operations	(32,424,739)	(34,180,596)
Net Change	(2,781,588)	18,399
Cumulative Results of Operations	$ 6,735,729	$ 9,718,983
Unexpended Appropriations:		
Beginning Balances	$ 35,666,873	$ 37,350,742
Budgetary Financing Sources:		
Appropriations Received	29,441,000	30,000,000
Other Adjustments	(880,327)	(2,469,835)
Appropriations Used	(29,141,865)	(29,214,034)
Total Budgetary Financing Sources	(581,192)	(1,683,869)
Total Unexpended Appropriations	$ 35,085,681	$ 35,666,873
Net Position	$ 41,821,410	$ 45,385,856

AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(In Dollars)

	2011	2010
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	$ 11,489,316	$ 10,865,481
Recoveries of Prior Year Unpaid Obligations	210,693	4,269,971
Budget Authority		
Appropriation	29,721,232	34,191,859
Permanently Not Available	(880,327)	(2,469,835)
Total Budgetary Resources	$ 40,540,914	$ 46,857,476
Status of Budgetary Resources:		
Obligations Incurred (Note 14)		
Direct	$ 30,075,458	$ 35,368,160
Subtotal	30,075,458	35,368,160
Unobligated Balance		
Apportioned	5,244,083	6,739,599
Exempt From Apportionment	2,232,652	3,450,613
Subtotal	7,476,735	10,190,212
Unobligated Balance Not Available	2,988,721	1,299,104
Total Status of Budgetary Resources	$ 40,540,914	$ 46,857,476
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	$ 31,978,397	$ 34,024,990
Obligations Incurred Net	30,075,458	35,368,160
Gross Outlays	(33,714,440)	(33,144,782)
Recoveries of Prior Year Unpaid Obligations, Actual	(210,693)	(4,269,971)
Total, Unpaid Obligated Balance, Net, End of Period	$ 28,128,722	$ 31,978,397
Net Outlays:		
Gross Outlays	$ 33,714,440	$ 33,144,782
Net Outlays	$ 33,714,440	$ 33,144,782

AFRICAN DEVELOPMENT FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
As of September 30, 2011

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 African Development 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 has rights and ownership of all assets reported in these financial statements. The Foundation does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and the status and availability of budgetary resources of the Foundation. 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. Budgets and Budgetary Accounting

Congress usually enacts appropriations to permit the Foundation to incur obligations for specified purposes. In fiscal years 2011 and 2010, the Foundation was accountable for General Fund appropriations and Trust Funds. The Foundation recognizes budgetary resources as assets when cash (funds held by the U.S. Treasury) is made available through the Department of Treasury General Fund warrants.

D. 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.

E. Revenues & Other Financing Sources

Congress enacts multi-year and no-year appropriations to be used, within statutory limits, for operating, capital and grant expenditures. The Foundation's grant program also receives additional amounts through donations from the private sector.
Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

The Foundation recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

F. Taxes

The Foundation, as a Federal entity, is not subject to Federal, State, or local income taxes, and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

G. Fund Balance with Treasury and Cash

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay agency liabilities. In addition, commercial, noninterest bearing accounts (in local currencies) are maintained with Bank Gaborone of Botswana, Citibank Nigeria, and Banco Comercial do Atlantico in Cape Verde, Standard Chartered Bank in Ghana, Ecobank in Mali, Citibank and Zenith Bank in Nigeria, First National Bank of Swaziland in Swaziland, Standard Chartered Bank in Zambia, EcoBank Guinea, EcoBank Benin, Standard Chartered Uganda, Banque Commerciale du Rwanda and National Bank of Malawi to process grant funds for those countries. Governments with whom USADF has entered Strategic Partnerships deposit donations into these accounts. In general, grants are funded equally with appropriated funds and donated funds. USADF controls all disbursements from these accounts.

H. 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 its obligations at the end of each quarter during the year to reflect the prevailing exchange rates. Downward adjustments to prior year obligations based on favorable foreign currency exchange rates will be made available for obligation if the adjustment occurs within the Foundation's authorized two year funding period. Upward adjustment to prior year obligations based on unfavorable foreign currency exchange rate with the U.S. dollar will be made from funds made available for upward adjustments, if any, or from currently available funds.

I. Grant Accounting

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

J. 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.

K. 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

L. 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.

M. 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. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities.

N. Accounts Payable

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

O. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Non-vested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to 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.

P. 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.

Q. 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. FERS offers a savings plan to which USADF automatically contributes one percent of pay and 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.

R. 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.

S. 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.

T. 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 2011 and 2010 to the extent directed by OMB.

U. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account in which the annual authority is placed is called the expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period but not previously reported. At the end of the fifth expired year, the expired account is cancelled.

V. Reclassification

Certain fiscal year 2010 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, 2011 and 2010 were as follows:

		2011		2010
Fund Balances:				
Trust Funds	$	36,154	$	36,154
Appropriated Funds		32,306,065		34,174,535
Total	$	32,342,219	$	34,210,689
Status of Fund Balance with Treasury:				
Unobligated Balance				
Available	$	5,244,083	$	6,739,599
Unavailable		2,988,721		1,299,104
Exempt from Apportionment		36,154		36,154
Obligated Balance Not Yet Disbursed		24,073,261		26,135,832
Total	$	32,342,219	$	34,210,689

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 (if any), accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash 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, 2011 and 2010, totaled $6,251,959 and $9,257,024, respectively. The comparative balances are summarized below:

	2011	2010
EcoBank Mali	$ 1,238,845	$ 1,436,735
Stanbic Bank of Uganda	901,037	1,504,059
Banque Commerciale du Rwanda	892,145	1,392,865
Bank Gaborone of Botswana	751,392	989,995
EcoBank Benin	700,646	1,179,687
EcoBank Senegal	537,694	841,039
Cape Verde	342,425	478,177
EcoBank Guinea	287,432	287,432
Zenith Bank Nigeria-Kaduna	254,025	410,794
Zenith Bank Nigeria-Kano	152,284	298,125
National Bank of Malawi	62,476	134,766
Standard Chartered Ghana	31,283	150,116
First National Bank Swaziland	36,219	89,178
Citibank Nigeria	33,473	33,473
Standard Chartered Zambia	30,583	30,583
Total Funds Held Outside Treasury	$ 6,251,959	$ 9,257,024

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2011 and 2010, were as follows:

		2011		2010
With the Public				
Accounts Receivable	$	521,573	$	877,785
Allowance		(520,703)		(877,785)
Total Public Accounts Receivable	$	870	$	-
Total Accounts Receivable	$	870	$	-

The accounts receivable is made up of travel advances that were overpaid and also includes terminated grants. Historical experience has indicated that the majority of the receivables will not be collectible.

Accounts receivable from the public are shown net of allowances for uncollectible amounts of $870 and $0, as of September 30, 2011 and 2010, respectively.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

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

Schedule of Property, Equipment, and Software as of September 30, 2010

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Furniture & Equipment	$	1,402,635	$	1,008,066	$	394,569
Total	$	1,402,635	$	1,008,066	$	394,569

In FY2011, the Foundation changed accounting principles for capitalizing property, equipment, and software. The threshold going forward for purchases that meet the criteria and definition of a capitalized asset per FASB SFFAS will be $20,000 for single item purchases. Vehicle purchases will automatically be capitalized regardless of the cost. During FY2011, purchases that were previously being capitalized but no longer meet the new threshold were written off as a prior period adjustment due to a change in accounting principle.

NOTE 6. ADVANCES AND PREPAYMENTS

Other assets account balances as of September 30, 2011 and 2010, were as follows:

	2011	2010
With the Public		
Grant Advances	$ 3,537,060	$ 2,053,348
Total Public Other Assets	$ 3,537,060	$ 2,053,348

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for USADF as of September 30, 2011 and 2010 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.

	2011	2010
Intragovernmental – FECA	$ 2,345	$ -
Intragovernmental – Unemployment Insurance	9,858	-
Unfunded Leave	284,495	292,277
Total Liabilities Not Covered by Budgetary Resources	$ 296,698	$ 292,277
Total Liabilities Covered by Budgetary Resources	214,318	237,497
Total Liabilities	$ 511,016	$ 529,774

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, 2011 and 2010 were as follows:

	2011	2010
Intragovernmental		
FECA Liability	$ 2,345	$ -
Unemployment Insurance Liability	9,858	-
Payroll Taxes Payable	46,693	-
Total Intragovernmental Other Liabilities	$ 58,896	$ -
With the Public		
Accrued Funded Payroll and Leave	$ 167,625	$ 167,277
Unfunded Leave	284,495	292,277
Total Public Other Liabilities	$ 452,120	$ 459,554

NOTE 9. LEASES

Operating Leases

USADF occupies office space 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.

Year	Dates	Amount
Year 4	October 1, 2011 - April 30, 2012	$ 439,006
Year 5	May 1, 2012 - April 30, 2013	771,430
Year 6	May 1, 2013 - April 30, 2014	806,766
Year 7	May 1, 2014 - April 30, 2015	826,868
Year 8	May 1, 2015 - April 30, 2016	847,599
Year 9	May 1, 2016 - April 30, 2017	868,801
Year 10	May 1, 2017 - April 30, 2018	890,474
Total Future Payments		$ 5,450,944

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. 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, 2011. However, the USADF is a party in various administrative legal actions and claims brought by or against it. According to the Foundation's legal counsel, the likelihood of unfavorable outcomes for all these legal actions and claims is remote. In the opinion of the Foundation's management, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of the Foundation.

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intra-governmental costs and intra-governmental exchange revenue represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2011	2010
Grant Program		
Public Costs	$ 23,449,408	$ 24,569,237
Total Program Costs	23,449,408	24,569,237
Public Earned Revenue	(296,484)	-
Net Program Costs	23,152,924	24,569,237
Costs Not Assigned To Programs	9,271,815	9,611,359
Total Net Cost	$ 32,424,739	$ 34,180,596

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 fiscal years ended September 30, 2011 and 2010, respectively, imputed financing was as follows:

	2011	2010
Office of Personnel Management	$ 294,581	$ 327,393
Total Imputed Financing Sources	$ 294,581	$ 327,393

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

The President's Budget that will include FY11 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2012 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb*/. The 2012 Budget of the United States Government, with the "Actual" column completed for 2010, 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 2011 consisted of the following:

		2011
Direct Obligations, Category A	$	8,781,494
Direct Obligations, Category B		21,293,964
Total Obligations Incurred	$	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.

NOTE15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the fiscal years ended September 30, 2011 and 2010, undelivered orders amounted to the following:

		2011		2010
Undelivered Orders	$	31,451,463	$	33,794,249
Total Undelivered Orders	$	31,451,463	$	33,794,249

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NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2011	2010
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 30,075,458	$ 35,368,160
Spending Authority From Offsetting Collections and Recoveries	(210,693)	(4,269,971)
Obligations Net of Offsetting Collections and Recoveries	29,864,765	31,098,189
Offsetting Receipts	-	-
Net Obligations	29,864,765	31,098,189
Other Resources		
Imputed Financing From Costs Absorbed By Others	294,581	327,393
Other Resources	-	465,709
Net Other Resources Used to Finance Activities	294,581	793,102
Total Resources Used to Finance Activities	30,159,346	31,891,291
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	2,330,017	2,102,379
Resources That Fund Expenses Recognized In Prior Periods	(7,783)	(7,480)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Other	206,705	-
Resources That Finance the Acquisition of Assets	(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	2,260,836	2,094,899
Total Resources Used to Finance the Net Cost of Operations	32,420,182	33,986,190
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	-	(26,685)
Other	12,202	-
Total Components of Net Cost of Operations That Will Require or Generate Resources In Future Periods	12,202	(26,685)
Components Not Requiring or Generating Resources		
Depreciation and Amortization	150,008	221,091
Revaluation of Assets or Liabilities	(156,783)	-
Other	(870)	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	(7,645)	221,091
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	4,557	194,406
Net Cost of Operations	$ 32,424,739	$ 34,180,596