OFFICE OF INSPECTOR GENERAL

Audit of the United States African Development Foundation's Financial Statements for Fiscal Years 2016 AND 2015

AUDIT REPORT NO. 0-ADF-17-002-C
NOVEMBER 15, 2016

WASHINGTON, DC

Office of Inspector General

November 15, 2016

C.D. Glin
President & CEO
U.S. African Development Foundation
1400 I Street NW, Suite 1000
Washington, DC 20005-2248

Dear Mr. Glin,

The Office of Inspector General (OIG) is transmitting the audit report prepared by the certified public accounting firm of Brown & Company CPAs, Management Consultants, PLLC (Brown & Company) on the financial statements as of September 30, 2016, and 2015 of the U.S. African Development Foundation (ADF) (Report No. 0-ADF-17-002-C). OIG contracted with this independent auditor to conduct the financial statement audit.

The audit objective was to determine whether ADF's financial statements presented fairly, in all material respects, the foundation's financial position as of September 30, 2016, and 2015 and its net costs, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended, in accordance with U.S. generally accepted accounting principles.

The independent auditor expressed an unmodified opinion on ADF's fiscal year 2016 and 2015 financial statements and notes.

The audit concluded that ADF has no material weaknesses or significant deficiencies in its internal control over financial reporting and no instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements.

According to Brown & Company, this audit was conducted in accordance with generally accepted government auditing standards and the Office of Management and Budget Bulletin No. 15-02, "Audit Requirements for Federal Financial Statements."

In carrying out our oversight responsibilities, OIG reviewed the audit report and related documentation. Our review was different from an audit done in accordance with U.S. generally accepted government auditing standards and was not intended to enable us to express, and we do not express, an opinion on ADF's financial statements, internal control, or compliance with laws, regulations, contracts, or grant agreements. Brown & Company is responsible for the enclosed auditor's report and the conclusions expressed in it. However, our review disclosed no instances in which Brown & Company did not comply with applicable standards.

We appreciate the cooperation and courtesies extended to our staff and Brown & Company's employees during the audit.

Sincerely,

/s/

Alvin A. Brown
Deputy Assistant Inspector General for Audit
Office of Inspector General

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION

PERFORMANCE AND ACCOUNTABILITY REPORT,
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2016 AND 2015

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 7, 2016

OFFICE OF INSPECTOR GENERAL

U.S. AFRICAN DEVELOPMENT FOUNDATION

FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2016 AND 2015

TABLE OF CONTENTS

November 7, 2016

MESSAGE FROM THE PRESIDENT

I am pleased to submit the FY 2016 Performance and Accountability Report for the U.S. African Development Foundation (USADF). USADF is committed to achieving the highest levels of effective and efficient operations, full transparency and accountability in financial reporting, and full compliance with all applicable laws and regulations.

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

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

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

USADF is dedicated to creating pathways to prosperity for underserved communities across Africa. Our mission is as applicable today, if not more so, than when USADF was founded in 1980. We look forward to continued cooperation with Congress, U.S. Government agencies, and friends and experts throughout the African development community.

Signed:

/s/
C.D. Glin
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

History and Relevance Today

The U.S. Congress established USADF in 1980 to give greater ownership of the development process to Africans as a way to achieve more sustainable results. It was a forward looking legislative act that understood that country-led foreign assistance could attain more cost-effective and lasting development impact. The ADF Act stipulated both USADF's organizational size[1] and maximum amounts for individual grants ($250,000), creating a smaller, more focused and flexible foreign assistance tool than existed elsewhere. This structure allows for USADF to respond with greater precision and speed to pressing development needs facing Africa today.

Today, USADF remains the only U.S. foreign assistance effort exclusively dedicated to development activities in Africa. Since 1980, USADF has worked in more than 32 countries and has invested more than $275 million in African initiated and led development projects. USADF projects are designed to improve economic and social conditions for underserved communities in conflict and post conflict regions across Africa. These grants have had an estimated cumulative impact on more than 5.4 million workers and family members by stimulating $0.5 billion of increased economic activities in more than 1,600 rural communities across Africa.

In recent years, African economies have been experiencing rapid economic growth. Yet despite these gains, millions of people are still living in extreme hunger and poverty[2]. Even with an increased emphasis on development in Africa, the reality is that many people living on $1.25 per day or less receive the least amount of development support. USADF grants engage those communities that are not a part of the mainstream[3] of Africa's economic growth. USADF's unique mandate provides it with the flexibility to adapt to the changing needs of different African countries and to play a leading role in modeling the best development practices that help grassroots communities gain a greater share of Africa's economic growth.

USADF Strategic Fundamentals

What	USADF supports African-led development that grows community enterprises by providing seed capital and technical support. This empowers those who are least served by existing markets or assistance programs to become a part of Africa's growth story.
Where	"hard to reach communities beyond Africa's growth frontier" • Conflict and Post Conflict Countries • Communities not achieving economic growth
Who	"those who are presently underserved but ready to do their part" • Smallholder Farmers • Youth, Women and Girls • Recovering Communities
How	"connecting community enterprises with capital and technical support" • Building a network of African expert support providers • Identifying community enterprises with potential • Providing an integrated package of support • Managing for results

1 USADF Washington Headquarters operates with only 38.5 full time staff equivalents, well below the mandated cap of 75 employees.
2 60% of Africans live in rural communities and account for 70% of Africa's poverty.
3 Mainstream economic growth sectors are dominated by extractive industries (e.g. oil, precious metals, and minerals) and the information and communications sectors.

USADF People

USADF programs and grants reach five groups of people currently underserved but ready to do their part. More than 60% of Africa's population are rural based, small-holder farmers and account for 70% of Africa's extremely poor population. While needy, many groups have access to valuable and potentially highly productive, pesticide free, arable land masses. USADF grants help these communities unlock the potential of this valuable asset.

Smallholder Farmers – are the backbone of economic activity on the Continent, contributing more than half of its GDP and comprising nearly 70% of its labor force. They face enormous challenges in securing land rights, accessing to agriculture technology, farm inputs and capital, and entering functioning markets.

Women and Girls – often bear the brunt of extreme poverty. They face challenges in education, property rights and economic opportunity. They are often victims of violence and cultural discrimination. Given the right opportunities, women entrepreneurs can lead the way out of poverty for themselves, their children, and their communities.

Youth – between 15 and 35 years represent a population dividend for many countries in Africa. For success across the Continent, Africa needs to create economic and entrepreneurship opportunities for 200 million youth, which will provide a path forward from instability toward prosperity.

Persons with Disabilities - often experience extreme levels of poverty. They continue to experience systemic discrimination, social exclusion and prejudice within political, social and economic spheres. Their full and effective participation in society is important to demonstrate their diversity and abilities and enables them to be productive members of their communities.

Recovering Communities – are populations facing hardships created by external factors, from conflict to natural disasters. These communities are eager to restore normal life and work hard to achieve economic independence once opportunities are presented.

USADF Projects

USADF achieves development success by identifying producer groups with potential, linking them with local Technical Partners, and funding their proposed solutions. This powerful combination acts as a catalyst to transform underachieving producer groups into thriving business-oriented enterprises. Additionally, the Technical Partners themselves become long-term development assets within their countries, and often play an important role in advancing broader national and international development priorities.

Increasing Nutrition and Income for Beninese Women – USADF has a history of supporting women by introducing new skills in food processing and business operations. In Benin, USADF funding was used to promote the processing of cassava into gari (flaked, processed cassava), which has become a staple food in Benin and neighboring Nigeria. Activities included the construction of processing centers located in villages and locally managed by women's associations where anybody can come and use the facilities to process his/her own cassava. Equipping these women's associations with mobile graters and presses has greatly improved their efficiency and production capacity while also making the process less labor intensive. Through the grant, USADF has also facilitated access to improved cassava varieties that increase the productivity of farmers. This has resulted in increased amounts of gari available for local consumption and increased incomes for those involved both at the village and at the association level. Furthermore, success in Benin has led to adoption of the same approach in other countries in USADF's portfolio.

Empowering Women and Economic Growth in Post-Conflict Northern Uganda - Gulu Community Dairy was originally founded by seven women in an Internally Displaced Persons camp in Northern Uganda during a 20-year civil war. In the midst of violence and chaos caused by the Lord's Resistance Army, the founders, along with 56 original members, pooled their resources together to invest in a single cow. Today, with support from USADF, the Gulu Dairy women have a herd of cows – so many, in fact, that they have started donating heifers to other community members. USADF also supported the construction of the first milk processing plant in all of Northern Uganda, which has allowed Gulu Community Dairy to supply quality milk and yoghurt to the community. Women in Gulu Community Dairy have played an integral role in creating sustainable livelihoods for themselves and their families in this post-conflict community. Rose Olea, who joined the cooperative in 2008, now makes 350k Uganda Shillings ($104) a month in dairy sales. With her income, she has installed a biogas stove through Green Heat (*another USADF Power Africa grantee*), built a permanent house, and earned respect from her husband and the community.

Supporting Employment for Somali Youth - Unemployment among Somali youth estimated at over 70% is one of the highest rates in the world, posing a great threat to the country. In FY 2011, USADF began funding youth training and employment programs for unemployed Somali youth to create job placement or self-employment opportunities. The program conducts market studies to determine the local demand for skilled labor, develops and delivers tailored training, and then links qualified candidates with hiring businesses. A formal survey of the youth participating in the program found that 80% of the young men and women in the program succeeded in gaining employment or starting their own small businesses. USADF has invested over $ 6 million to fund 31 youth job training and placement programs directly assisting more than 5,000 youth since the program's inception.

Catalyzing Market-Oriented Agricultural Transformation in the Sourou Valley of Burkina Faso - SOGCAM, Badenya, the Union of Di women's groups, Faso Yeleen and the Departmental Union of Di farmers' groups are all founded by smallholder farmers in the Sourou Valley, in the remote Northwest part of Burkina Faso and they are all being supported by USADF to work in irrigated agriculture. The Sourou Valley is one of the most important irrigation schemes in the country, particularly since MCC directed significant investment to develop 2,240 hectares of irrigated land there. With more than 3,000 members comprised of 1,220 women and an equally large proportion of young people producing onions and tomatoes, these farmers came together to organize and embark on a more competitive type of agriculture program. USADF supported each organization with equipment, inputs supply and market connections to further leverage MCC's impact in the area. Today and across all the groups, the average yield this year has shifted from an average 17 tons per ha. to 23 tons per ha. Specifically, the women's and the youth unions in just their first full year of USADF support, have been able to put in place a functioning inputs supply service on a cost-reimbursable basis. As of today, the women's union has more than 5 million FCFA in sales revenues and has already secured a stock of inputs for its next production season. Badenya, one of the other farmer groups with 170 members who received funds for modern equipment and an inputs fund, produced 854 tons of onions during the 2015-2016 agricultural season for a total revenue of 178 million FCFA (nearly $300,000). Although the Sourou farmers still have a way to go, with the support of USADF they are becoming stronger and will be able to counterbalance the power of intermediaries in the marketing system. They will soon operationalize and transform the newly-established Union which gathers all the groups operating in the Di irrigated perimeter, to become an instrument for quality service provision and direct access to regional markets for all members.

Supporting Women's Empowerment and Economic Growth in Burkina Faso – AFEPO is a weavers' association founded by 25 women in the small village of Possomtenga, near the capital city of Ouagadougou. In a quest for solutions to generate income and become autonomous, the women started their weaving activities using very basic looms and in a place made available to them by a community member. When AFEPO and USADF's path crossed some six years ago, the women were "temporary" weavers, farmers, and sand and gravel collectors working to make ends meet in their families. USADF support changed the face of AFEPO and the Possomtenga community. Today, AFEPO is known for its brand of fine quality traditional woven cloth known as Faso Dan Fani. Installed in their brand new production center constructed and equipped with the support of USADF, AFEPO women dye thread and use different size looms to produce fabric that some international fashion houses and designers now use for their collections. Over the past three years, AFEPO produced more than 10,000 meters of woven fabric mainly destined to the export market, along with a significant volume of woven items sold both regionally and locally. The women are now employed full-time and earning a steady income. When you look at AFEPO women, in their beautiful and colorful woven attire, their cell phones, bicycles and even motorbikes, you can see pride in their eyes and self-confidence in their attitude. The image of the well - nourished children playing in the center's yard and the discussion among the women about their girls attending secondary schools is indicative of USADF creating pathways for prosperity for these Possomtenga women.

Bringing Solar Powered Agricultural Processing to Underserved and Rural Communities – USADF has continued to implement the Off-Grid Energy Challenge, providing $100,000 grants to local Energy Entrepreneurs delivering renewable energy solutions to underserved communities. Since its launch in FY 2013 USADF has awarded over 70 grants of $100,000 each with more than half of the funding coming from external partners. In addition, USADF has awarded six expansion grants to enterprises allowing them to unlock their potential of extending electricity and services more rapidly to grassroots communities. USADF has expanded its' energy program to nine countries in East and West Africa.

One recent winner is Topstep Nigeria who is supplying renewable power solutions to the agricultural sector in Nigeria. Through USADF support, Topstep is installing 5 solar powered processing stations located near the farmers' fields of a 2,000-member agricultural cooperative located in a rural community in Kaduna State in Northern Nigeria. Each station has three high quality milling machines powered by solar energy. This will bring their processing capacity to 1,400 metric tons of maize per year and enable the local farmers to increase the market value of their produce and their incomes.

USADF Impacts

USADF programs deliver results that increase local food production, grow income levels, and improve livelihoods. By connecting community enterprises with capital and local technical support, USADF ensures that thousands of people in the most underserved communities in Africa are given a real opportunity to improve the quality of their lives and benefit from the new era of accelerated economic growth across Africa. These people and their communities benefit in practical ways from the more than $55 million of new economic activities generated in their communities because of USADF grants. They are part of Africa's emerging growth story.

USADF achieves impact in three primary dimensions. Today, USADF's active portfolio of 300 grants is affecting more than **1 million people** affected by extreme poverty. Second, UASDF grants help generate more than **$55 million of new economic growth**[4] in poor communities. The new economic activity represents new revenues, over and above the amounts of revenues the groups had earned before the USADF grant. Thirdly, USADF grants help producer groups become ongoing economic growth enterprises.

4 Estimated value the current active grant portfolio will generate over the full life cycle of each grant. Calculated from an annual review of performance data that tracks and averages the cumulative incremental revenue growth of each grant divided by the cumulative grant value disbursed times the total value of the active grant portfolio. The impact indicator has decreased significantly, as the USADF grant portfolio has shifted towards a greater focus on building resilience and food security capabilities with high risk communities.

USADF measures that **<u>90% of community enterprises funded with USADF grants continue</u>** to operate and generate income for their members.

A Foreign Assistance Model with a Difference

Direct Funding to African Producer Groups

The USADF model cuts out traditional, and inefficient, "middle-man" development cost structures and delivers grant funds directly to the grassroots groups closest to the problem. USADF also provides seed capital grants directly to local Energy Entrepreneurs and youth to support their start-up enterprises. They are the long-term owners of the solution. This approach adds speed and efficiencies to the development process.

All African Staff and Partners

USADF's development model uses only local technical services providers for grant design and associated grant implementation support. Two benefits of the model are lower delivery costs[5] and better projects. Utilizing people with local language skills and knowledge helps to stimulate greater local ownership of solutions and ensure that projects better account for local conditions. Beyond specific project benefits, USADF investment in local technical service providers help to build long term, resident development expertise in each African country where it works. Many former USADF partners and country program coordinators have gone on to serve in significant public sector roles within their countries.

Increased Effectiveness through Better USG Coordination

USADF has made it a priority to increase coordination and resources sharing with other USG foreign assistance efforts. In FY 2015 and FY 2016 combined, USAID transferred $4.4 million to USADF. This permitted USADF to extend the Off-Grid Challenge to Rwanda, Uganda and Zambia bringing the total to nine countries.

In other instances, USADF has co-funded activities that are executed in tandem with the State Department. For the past five years, USADF has supplemented the successful U.S. Embassies' Self-Help Grants program. In addition to benefitting smaller, community projects, this provides the U.S. Ambassadors with excellent diplomatic and relationship-building opportunities. Aligning our grant-making with the local Embassies has created a win/win for USADF and for US Ambassadors. Utilizing USADF's modest resources, collaboration with the US Embassies allows USADF to scale our operations beyond our historical footprint maximizing the impact of public resources.

Increased Efficiencies to Maximize AID Impacts

USADF seeks to achieve operational efficiencies to maximize the impact of its development assistance to advance Administration Priorities. Based on recent independent assessments, USADF achieved superior performance ratings in the category of "maximizing (AID) efficiency".

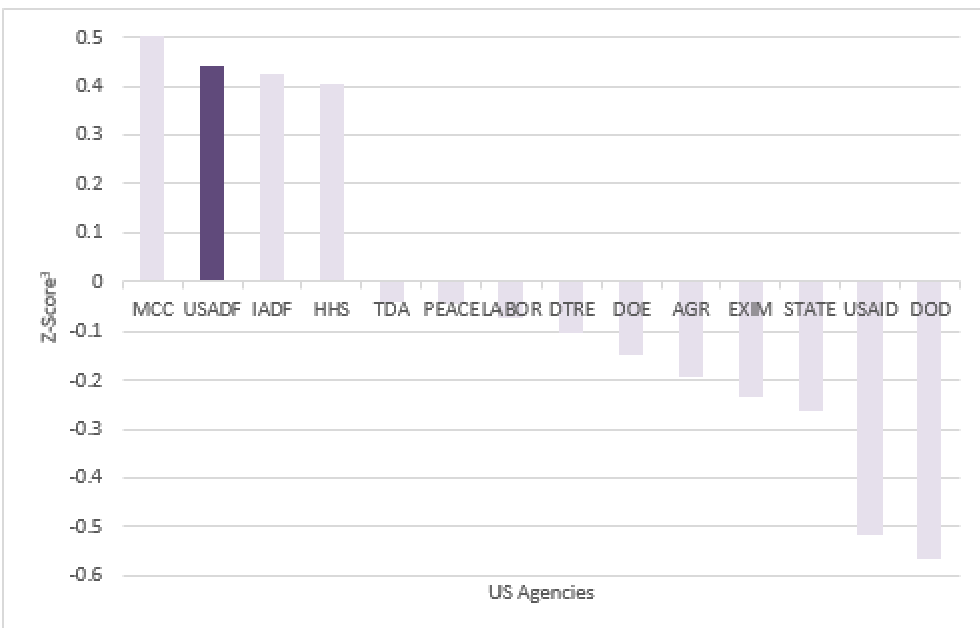
5 Less than ten cents per active grant

Over the past several years the Center for Global Development has prepared annual reports on the *Quality of Official Development Assistance* (QuODA). These reports examine the "efficiencies" of 100 plus multilateral and country assistance programs[6], assessing the quality of Official Development Assistance (ODA) against a common set of thirty indicators that assess diverse features such as:

- allocating more aid to poorer countries and to better governed countries;
- minimizing administrative costs and thereby increasing efficiency;
- allocating a larger portion of ODA directly to projects or programs;
- providing more aid to countries or sectors in which they are specialized;
- contributing to global public goods;
- and, untying aid.

In the assessment category labeled "Maximizing Efficiencies", USADF was the second highest performer of all United States agencies assessed.

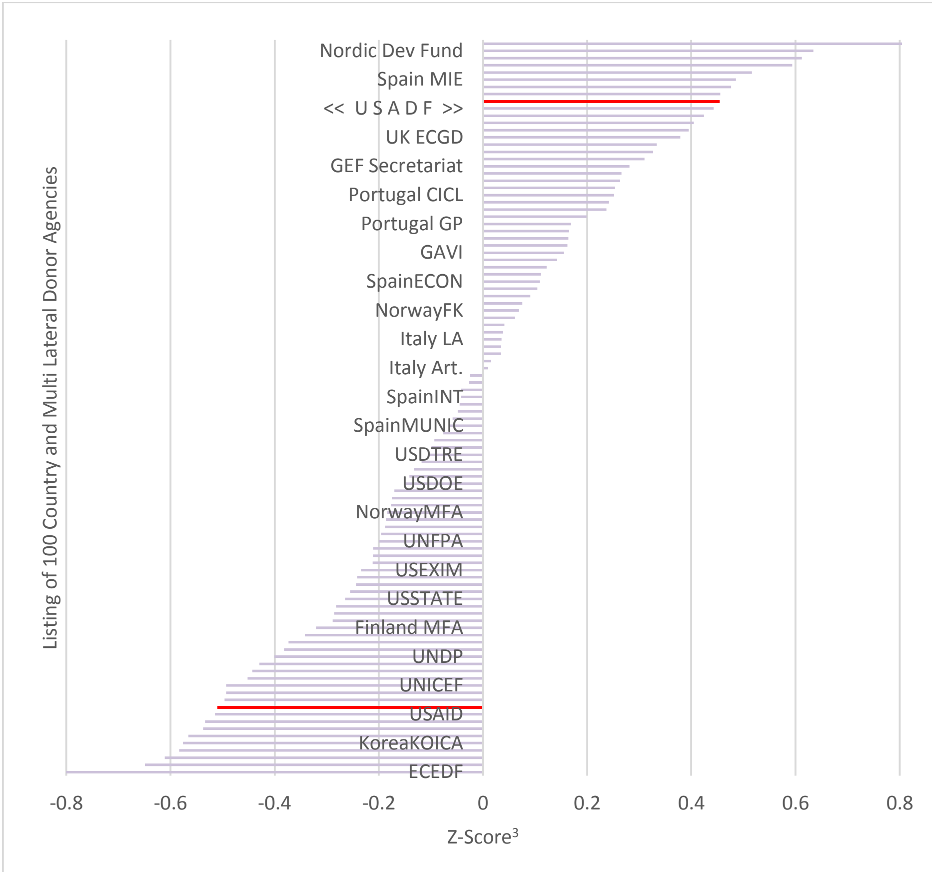
USADF's Relative Ranking of AID Delivery Efficiencies for 14 US Agencies Providing Development Assistance



6 For a complete review of the study and corresponding data sets please go to http://www.cgdev.org/page/quality-oda-quoda for full details.

When USADF 's "maximizing efficiency" standardized score was compared against the scores of more than 100 country and multi-lateral donor organizations USADF was **one of the top ten performers**.

USADF's Relative Ranking of AID Delivery Efficiencies for 100 Global Agencies

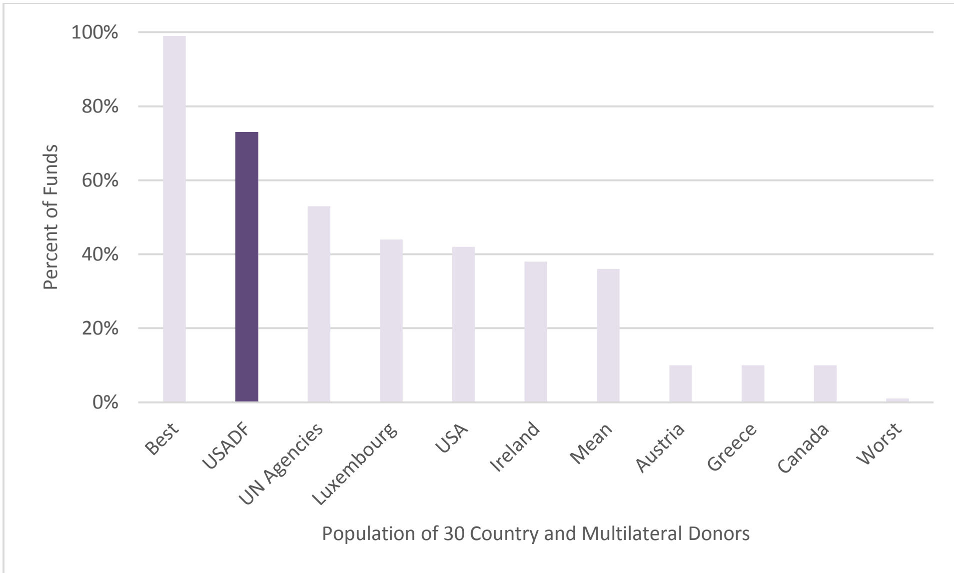


High Country Programmable Aid Share

USADF seeks to ensure that a high percent of allocated funds actually reach Africans. The QuODA study uses the indicator "country programmable aid share" to measure this performance. The measure is a simple calculation of the percent of total funds actually spent in the partner country. The study notes that many development assistance programs result in minimal funds transfers to partner countries. USADF's five-year country programmable aid share average is 73%, well above the 42% consolidated average of all US development agencies[7]. The chart below shows USADF's relative ranking compared to the "max", "min", and mean of the 30 agencies (Global and USA) in the QuODA study.

7 Center for Global Development's *Quality of Official Development Assistance Assessment Report* 2010, page47.

USADF's Relative Ranking of Country Programmable Aid Share Among 30 Global Agencies



Percent of total program funds actually spent in the partner country for 30 donors in QuODA study. Updated information will be provided when the next study results are produced.

A Role in U.S. Foreign Assistance Priorities

Food Security - USADF grants support food production and market development for smallholder farmers and cooperatives in nine of the twelve Feed the Future countries in Africa. USADF projects help smallholder farmers develop long-term food security solutions in areas where the need is greatest. Nearly 80% of all USADF project grants focus on agricultural development and food security.

Off Grid Energy and Power Africa – Since FY 2013, and in partnership with GE Africa and USAID, USADF has awarded 70 grants (up to $100,000 each) to local Energy Entrepreneurs to provide off-grid solutions deploying renewable resources. The U.S. Government initiative, Power Africa, principally focuses on large-scale transactions to meet urban and industrial needs. USADF complements these efforts by awarding small grants to African Energy Entrepreneurs who are developing cost effective, sustainable ways to bring power to remote regions. USADF goes beyond grant funding by offering ongoing technical support and guidance through its network of African Technical Partners. In practice, this approach will help develop long-term business models that emphasize the delivery of much-needed energy to underserved communities, be it for agricultural processing or other purposes. In FY 2017, USADF will continue to assist earlier winners with other ways to help them expand their business to increase their impact at the grassroots level and to access additional investment capital.

Trade & Investment - USADF programs help link community producer groups and organizations with expanded trade and market opportunities. For the past several years, USADF projects have been a featured part of AGOA[8] success stories. USADF will seek to further leverage its collective experience to help ensure that AGOA's benefits reach rural small-holders, allowing even the smallest producers to benefit from employment and expanded market opportunities resulting from increased access to trade. As AGOA continues to create better access to global markets, USADF programs will support small-holder farmer

8 African Growth and Opportunity Act (AGOA)

groups with resources to develop business strategies and capabilities to actively participate in the broader trade opportunities.

Youth - In FY 2014, USADF awarded 36 entrepreneurship grants to African Youth Leaders as a part of the YALI Mandela Washington Fellowship program to help them expand business and social enterprises in their home countries. This initiative expanded in FY 2015 to 70 awards, including awards for the Fellows and YALI Network participants in Africa. This whole of government initiative further expanded in size in FY 2016 with an additional 55 grants being awarded in amounts of $10,000-$25,000. As funding is available, USADF remains ready to expand its support of the actual implementation efforts of each fellow as they return to Africa.

USADF also remains committed to addressing a chronic youth under-employment problem through its innovative job training and placement programs in Somalia. With an 80% placement success rate in Somalia, USADF is looking for ways to expand the program model to other countries in FY 2017.

Reporting and Transparency - The U.S. Government seeks to model openness, accountability, and good governance practices in all it does domestically and internationally. USADF is an active participant in the USG "Open Government Initiative," the Foreign Assistance Dashboard program, and the whole of government Feed the Future Monitoring System.

USADF Monitoring and Evaluation

The USADF Washington staff and in-country program coordinators provide for independent monitoring of the project expenditures and of the implementation support from partners. Close-out reports, third party financial audits, and independent African evaluation specialists help USADF capture and share lessons learned for program improvements.

Achieving positive program results requires accountability, evidence-driven approaches, effective monitoring of grant activities, and the regular evaluation of programs. These management actions provide the information necessary to assess program effectiveness, to learn from experiences, and to plan for future programs and resource allocations. In FY 2016, USADF is implementing a new comprehensive monitoring and evaluation design to guide future evaluation efforts. In FY 2016, USADF launched an independent three-country program evaluation study, and is updating internal structures to support a more robust learning agenda.

Acting on Monitoring and Evaluation Evidence

Closely tracking the progress of grant implementation plans and budgets is an important grant management function to increase successful outcomes and maintain USADF's high level of transparency. Monitoring can identify early problems, ensure that additional support is applied, and provide necessary evidence for impact assessments. The Regional Director and Field Operations staff is responsible to ensure Technical Partners provide quality support to Grantees consistent with the terms of their cooperative agreements. Monitoring activities include regular reviews of Grantees' quarterly reports, and regular site visits to Grantees by partners and by USADF staff. Each project grant with a value greater than $100,000 also receives an independent financial audit on its use of USADF grant funds. At the end of a grant, a grant close-out procedure is completed. The close-out process includes a final accounting report of grant funds, an assessment of the grant's outcomes, and a determination on the sustainability of the project.

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

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

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

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

Portfolio Performance Status (5/10/16)

	*Active Projects	Active Value (USD)	% Value Disb TD	FY14 Days 2nd Disb	GPA	Project GRADES				
						A	B	C	D	F
Benin	27	3,142,467	42%	121	3.1↑	12	7	5	2	0
Burkina Faso	17	2,529,273	41%	118	3.1↓	4	6	1	1	0
Burundi	9	1,599,343	48%	98	3.5↑	7	3	1	0	0
Guinea	3	509,023	67%	139	2.0	0	0	2	0	0
Liberia	23	2,997,412	63%	165	3.1↑	7	12	0	1	1
Mali	17	1,805,277	53%	115	3.3↑	6	8	0	1	0
Mauritania	15	1,204,473	55%	143	2.1↓	1	7	2	1	3
Niger	20	2,445,997	45%	139	3.5↑	9	8	0	0	0
Rwanda	20	3,566,248	64%	91	3.1↓	7	9	3	0	1
Senegal	15	1,820,869	62%	121	3.2↓	5	7	0	1	0
Kenya	10	1,354,238	63%	92	3.3	5	2	2	0	0
Malawi	14	1,772,648	59%	100	3.5↑	8	4	0	1	0
Tanzania	11	1,292,106	34%	168	2.5↓	2	1	7	0	0

	*Active Projects	Active Value (USD)	% Value Disb TD	FY14 Days 2nd Disb	GPA	Project GRADES				
						A	B	C	D	F
Uganda	28	4,929,186	65%	126	3.5↑	15	5	4	0	0
Zimbabwe	13	2,008,509	50%	80	3.4↓	6	4	0	1	0
Somalia	11	2,601,163	69%	147	3.4↓	5	4	1	0	0
South Sudan	4	374,800	32%	131	3.0	0	1	0	0	0
Nigeria	21	2,611,276	48%	99	3.0↓	6	6	0	0	2
Zambia	22	2,740,463	62%	108	3.0	11	2	7	1	1
Sub Total	**300**	**41,304,771**	**55%**	**121↓**	**3.1**	**116↓**	**96↑**	**35↓**	**10↓**	**8↓**
Small Grants	57	424,478	82%							
Power Africa	39	3,884,687	41%		3.8	32	5	2	0	0
YALI	44	1,040,000	76%							
Sub Total	**140**	**5,349,165**	**51%**							
Total	**440**	**46,653,936**	**55%**	**121**	**3.2**	**148**	**101**	**37**	**10**	**8**

Evaluation

In addition to extensive internal and field-based monitoring of grants, USADF also uses external, independent program evaluations to understand overall program effectiveness and impact. Such evaluations are time consuming and costly and are therefore conducted on a strategic basis and to meet specific and targeted programmatic goals. In FY 2015, country-specific evaluations were conducted in Niger, Senegal, and Rwanda. In FY2016, USADF began rolling out a revised M/E framework to better reflect its corporate strategy focus on resilience and growth portfolios. In FY 2017 a three-country impact evaluation is underway in Malawi, Zambia and Zimbabwe and will include data from 18 projects. An additional **$170,000** is allocated to expand USADF's monitoring and evaluation capabilities and conduct baseline surveys at the household level in the coming year.

Other program evaluation efforts include feedback from external audit activities conducted by the Office of the Inspector General (OIG) based in Dakar, Senegal and Pretoria, South Africa. Over a recent six-year period, program audits have been done in Nigeria (2011), Cape Verde (2012), Kenya (2013) and Burkina Faso (2014). With each audit and resulting recommendations, USADF is able to improve its operations and program initiatives, furthering the effectiveness of achieving its mission.

Program Dashboard

The USADF dashboard (following page) provides a snapshot view of USADF purpose, presence, portfolio composition and performance against annual budget targets. The chart is updated quarterly and is a part of the Presidents report to the Board of Directors.

USADF Dashboard

Creating Pathways to Prosperity for Underserved Communities
USADF is dedicated to African-led development. USADF grants provide capital and local technical expertise to grassroots enterprises that empowers the underserved to become part of Africa's growth story.

Active Core Portfolio (per 5/10/16 assessment)

Total No. of Grants	Total Grant Value ($M)	Net Rev Growth ($M)	People Impacted	Continuity Factor
300	$41.3	$56	1,090,500	92%

(Excludes Special Initiative Grants)

Rev Growth = projected increase in net revenues generated over full lifecycle of active grants.

People Impacted = number of direct beneficiaries x family factor of 5.

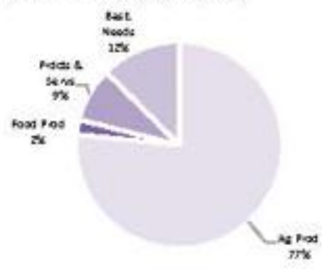
Continuity Factor = % of grants continuing core economic activities 2 yrs after the grant expires.

Active Grants Allocations and Disbursement Status (per 5/10/16 assessment)

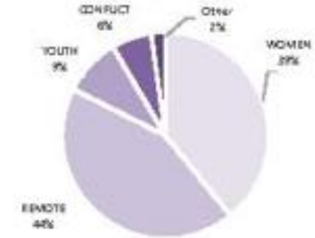
Cou	No.	$M	Disb
BEN	27	3.1	42%
BUR	17	2.5	41%
BUR	9	1.6	48%
GUI	3	0.5	67%
LIB	23	3.0	63%
MAL	17	1.8	53%
MAU	15	1.2	55%
NIG	20	2.4	45%
RWA	20	3.6	64%
SEN	15	1.8	62%
KEN	10	1.4	63%
MAL	14	1.8	59%
TAN	11	1.3	34%
UGA	28	4.9	65%
ZIM	13	2.0	50%
SOM	11	2.6	69%
SOU	4	0.4	32%
NIG	21	2.6	48%
ZAM	22	2.7	62%
Sub	300	41.3	55%
Sma	57	0.4	82%
Pow	39	3.9	41%
YAL	44	1.0	76%
Sub	140	5.3	51%

(shaded by size of active grant portfolio)

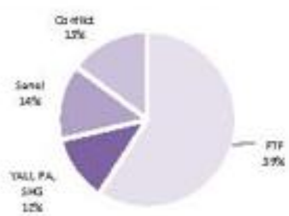
Sectors
(Active Grants 9/30/16, % by USD)



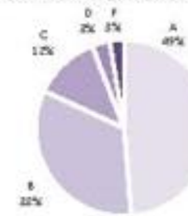
Under Served Groups
(Active Grants 9/30/16, % by USD)



Initiatives (Active 9/30/16, % by USD)



Grant Grades (per 5/10/16 assessment)



A = Goals Achv'd @ 80% or higher

B = Goals Achv'd @ 50% or higher

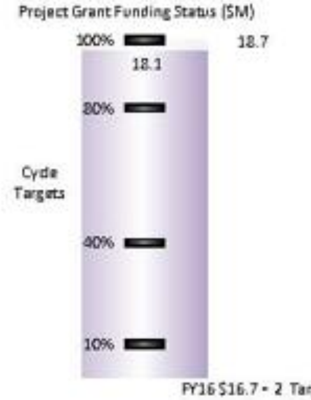
C = Goals Achv'd @ below 50%

Financial Performance (9/30/16, Pending)

($M)	FY15 Act	FY16 Bdgt	FY16 Act
FUNDS			
All Federal	32.0	32.4	35.2
SPF	1.9	2.0	1.1
Other	-	0.2	0.7
Total	**33.9**	**34.6**	**37.0**
EXPENSES			
Admin	7.9	8.5	8.8
Prgm (Fed)	22.9	23.9	25.6
Sub Total	**30.8**	**32.4**	**34.4**
Prgm (SPF)	1.5	2.0	0.6
Total	**32.3**	**34.3**	**35.0**
OE RATIOS			
All Fed Funds	25%	26%	25%
All Funds	23%	25%	24%

Pending Final Adjustments

Project Grant Funding Status ($M)



FY16 $16.7 - 2 Target

dashboard15

10/28/2016

Conclusion

Today's Africa presents significant opportunities and challenges. While some countries on the continent are experiencing unprecedented growth – others are wrought with internal conflict and despair. The U.S. African Development Foundation, building upon a thirty plus year track record, has a significant role to play in supporting economic participation among underserved populations. In those countries experiencing growth, USADF creates economic opportunity for those outside the mainstream. In other regions, USADF's contribution is all the more important in bringing economic engagement and hope, and fostering the conditions for peace and sustainability among vulnerable populations.

This is accomplished through USADF's commitment to grassroots economic development – where local communities identify and develop projects that generate sustained business outcomes and further development goals. USADF's approximately 300 active development project grants in over 18 core countries represent $41.3 million in investments. With nearly 80% of all projects involving the production and/or processing of agricultural products, USADF is an important supporter of Feed the Future. Twenty percent of USADF projects align with AGOA objectives, making it possible for rural small-holders to participate in the upside of regional and international trade. USADF benefits marginalized communities in conflict and post-conflict zones – including women, youth, and persons with disabilities, concentrating in regions beyond the reach of other development agencies.

Over the last three years, USADF has broadened its traditional program to expand initiatives aligned with U.S. foreign assistance priorities – including the Young African Leaders Initiative and Power Africa. USADF will ensure that these initiatives translate into tangible gains for underserved populations on the continent. As the only U.S. government agency exclusively focused on Africa, we remain uniquely positioned to further the *U.S. Strategy Toward Sub-Saharan Africa*.

USADF's methodology engages underserved communities in their own development process. Relying on a network of local African service providers, USADF's approach is distinguished by the ***speed*** through which we are able to enter countries and initiate operations, the ***responsive*** qualities that engage local communities and host country governments, and the ***sustainable*** and ***scalable*** model employed. Most significantly, USADF engenders ***respect and dignity*** among the communities we serve. Combined, these elements create a direct, nimble, responsive, and cost-effective institution dedicated to furthering the nation's development objectives: ***Creating pathways to prosperity for underserved communities in Africa.***

Analysis of Financial Statements

USADF is pleased to report that in FY 2016 the Foundation continued to receive an unmodified opinion on all financial statements from its independent auditors, Brown & Company CPAs, PLLC. Since FY 2009, USADF has received unqualified/unmodified opinions on the Balance Sheet, the Statement of Net Costs, the Statement of Changes in Net Position, and the Statement of Budgetary Resources.

Assets

USADF's *Fund Balance with Treasury* increased, from $35.4 million at the end of FY 2015 to $38.6 million at the end of FY 2016. The increase of $3.1 million can be attributed to an inter-agency fund transfer from USAID to USADF in the support of Power Africa Initiatives.

Cash and Other Monetary Assets consist of foreign currency donations made by African governments and private-sector entities with which USADF has established strategic partnerships. The funds are held in bank accounts in each country where a strategic partnership is in effect. These assets decreased, from $3.8 million at the end of FY 2015 to $3.5 million at the end of FY 2016. Pledges have decreased since FY

2013, due to the expiration of most of the MOUs except that of Uganda and Benin with the host governments. The MOUs have been the mechanism by which the host governments complement the appropriate funds to fund substantial projects in their countries.

Other increased from $1.0 million at the end of FY 2015 to $1.1 million at the end of FY 2016. In the third Quarter of FY 2016, grantees were found to have expensed 77% of the funds disbursed, resulting in a grant advance entry recorded at 23%. The grantees' cash on hand increased for two reasons. One, the expenses ratio decreased from 82% on 3rd quarter FY 2015 to 77% for the same period in FY 2016. Second, in the 4th quarter of FY 2015 disbursements were at $5.2 million, and for the same period in FY 2016, USADF disbursed about $5.6 million. This is a net increase of $425 thousand in disbursements, which contributed in part to higher volume of cash on hand. In addition to the grantees' cash on hand, cash advance to field offices has significantly increased in the aggregate, even though the cash on hand at the end of the fiscal year still within the strict minimum required to cover the 4th quarter operation expenses.

Liabilities and Net Position

Liabilities increased slightly from FY 2015 to FY 2016. USADF's *Net Position* (the sum of the Unexpended Appropriations and Cumulative Results of Operations) at the end of 2016 as shown on the Balance Sheet and the Statement of Changes in Net Position was $43.1 million, a $2.1 million increase from the previous fiscal year's balance of $41.0 million. *Unexpended Appropriations* of $38.2 million represents funds appropriated by the Congress for use over multiple years that were not expended by the end of FY 2016.

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. Total program costs increased slightly from 21.5 million in FY 2015 to $23.4 million in FY 2016. Costs assigned to program activities, such as grants and cooperative agreements, increased by $1.2 million from FY 2015 to FY 2016, as well as the cost of supporting activities in field increased by $662 thousand in FY 2016 from FY 2015. The supporting activities cost increase is due to the full implementation of the reclassification of USADF Field Offices costs from Costs Not Assigned to Programs to Program Costs. The full impact of this reclassification will be realized in FY 2016. USADF Field Offices activities are in direct support of grantees. Fifty-six percent of USADF's non-program expenses are related to federal workforce payroll. Twenty percent relates to Interagency Agreement for Shared Services. Nine percent relates to HQ lease. The remaining fifteen percent relates to travel, supplies, publications, training, contractual services, and information technology.

Budgetary Resources

USADF's budgetary resources consist of its annual appropriations from Congress, which are available for two years, and donations from strategic partners. USADF's FY 2015 appropriations were $30.0 million; its FY 2016 appropriations are $30.0 million. USADF received two type of donations, the Strategic Partnership Fund (SPF), and the Corporate Funds. The SPF represents host countries donations which are subject to foreign currency fluctuations unlike the Corporate funds. Compared to FY 2015, USADF received more actual funds than FY 2016. However, the currency fluctuated more in FY2015 as opposed to FY 2016. As a result, the reportable amount for SPF and Corporate Donation in FY2016 at $1.8 million may be higher that of FY 2015 at $1.5 million. In reality, the actual receipt in FY 2015 was at $2.3 million with a negative foreign currency adjustment of $847 thousand, while at the end of FY 2016, the actual donation is $1.8 million, which includes $650 thousand in Corporate Donations no subject to fluctuations, but a positive currency adjustment of $22 thousand. Foreign currency adjustments aside, at the end of FY 2015 donated funds were $523 thousand higher than in FY 2016. The reduction is mainly contributed to Benin pledge not being honored on time to be recorded in FY 2016.

Unobligated Balances decreased from $6.0 million at the end of FY 2015 to $5.4 million at the end of FY 2016. The *Obligations Incurred* line increased from $32.1 million in FY 2015 to $37.1 million in FY 2016. The increase of $5.0 million is due, among other factors, to the increase of the Power Africa portfolio from roughly $1.0 million in FY 2015 to $4.0 million in the FY 2016; as well as the effort in the field to meet countries targets.

USADF Internal Controls, and Legal Compliance

November 7, 2016

ANNUAL ASSURANCE STATEMENT

U.S. African Development Foundation's (USADF) management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). USADF's Federal Information Security Management Act of 2002, amended in 2014 (FISMA) report has identifies significant deficiencies that are required to be reported as material weakness. The weaknesses identified relate to USADF's need to improve its risk management program. USADF has developed corrective plan to ensure that the internal controls and financial management systems meet the objectives of FMFIA. USADF uses the Oracle Federal Financial System hosted by the Administrative Resource Center (ARC) within Treasury's Fiscal Service. Therefore, our assertion of assurance is based on the administrative controls within USADF as well as the Statement on Standards for Attestation Engagements (SSAE) 16 Report on ARC/FS Oracle Federal Financial System and related complementary controls in place at ARC.

The USADF management is additionally responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with all applicable laws and regulations. USADF assesses the effectiveness of its own internal controls and relies on the Treasury Fiscal Service's internal assessment of its internal controls at ARC. Although not required to do so, based on the results of USADF's own internal assessments and our review of our service provider assessment results, USADF provides unqualified assurance that internal controls over financial reporting as of September 30, 2016 are operating effectively; no material weaknesses have been found in the design or operation of the internal controls over financial reporting.

/s/

C.D. Glin
President and CEO

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

In 2015, the USADF Internal Audit unit continued implementing a systematic plan to review the financial management and accounting for USADF funds provided to project grants, partner grants, and country coordinator offices. During FY 2015, USADF oversaw field audits for 59 grants, 7 Country Coordinator offices, and 15 Partner Cooperative Agreement grants.

Improper Payments Elimination and Recovery Act (IPERA) Reporting Detail

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

During FY 2015, USADF has no significant improper payments to report.

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.

November 7, 2016

UNITED STATES AFRICAN DEVELOPMENT FOUNDATION

MESSAGE FROM THE CFO

I am pleased to present, as part of the Foundations's FY 2016 Performance and Accountability Report, the FY 2016 Financial Statements for the United States African Development Foundation (USADF). USADF once again received an unmodified (clean) opinion on the FY 2016/2015 comparative financial statements. These financial statements and the performance results presented here are complete, reliable, and have been prepared in conformance with applicable generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board. USADF utilizes a shared services provider for its accounting, procurement, and human resources services. We are responsible for overseeing and ensuring that USADF's administrative and fiscal accounting systems for the year ended September 30, 2016 are in substantial compliance with the requirements of the Federal Financial Management Improvement Act (FFMIA). We ensure compliance with the act through review of our administrative and oversight role and rely upon the results of our providers' Statement on Standards for Attestation Engagements (SSAE) 16 Reports.

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

/s/

Mathieu Zahui
Chief Financial Officer, Acting

U.S. AFRICAN DEVELOPMENT FOUNDATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2016 AND 2015

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 7, 2016

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

U.S. African Development Foundation
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheet of the U.S. African Development Foundation (ADF) as of September 30, 2016 and 2015, and the related statements of net cost and changes in net position, statement of budgetary resources and statement of custodial activity, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations, contracts and grant agreements and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the ADF as of September 30, 2016 and 2015, and its net costs, changes in net position, budgetary resources and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the *Management's Discussion and Analysis* (MD&A) and *Required Supplementary Information* (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From The President, Message From The CFO, Assurance Statement from the CEO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ADF's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. During the audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

We also identified other deficiencies in ADF's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant ADF management's attention. We have communicated these matters to ADF management and, will report on them separately in a management letter.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ADF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 ADF. The objective was not to provide an opinion on compliance with those provisions of laws, regulations, contracts and grant agreements, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

Management's Responsibility for Internal Control and Compliance

ADF's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to ADF. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to ADF's financial statements for the fiscal year ended September 30, 2016. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ADF's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ADF's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of ADF, OIG and U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Largo, Maryland
November 7, 2016

FINANCIAL STATEMENTS AND NOTES

U.S. AFRICAN DEVELOPMENT FOUNDATION
BALANCE SHEET
AS OF SEPTEMBER 30, 2016 AND 2015
(In Dollars)

		2016		2015
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	38,578,159	$	35,432,674
Total Intragovernmental		38,578,159		35,432,674
Cash, and Other Monetary Assets (Note 3)		3,450,812		3,829,826
Accounts Receivable, Net (Note 4)		349		-
Property, Equipment, and Software, Net (Note 5)		946,135		1,273,929
Other (Note 6)		1,105,674		1,075,086
Total Assets	$	44,081,129	$	41,611,515
Liabilities:				
Intragovernmental				
Other (Note 8)	$	43,500	$	30,019
Total Intragovernmental		43,500		30,019
Accounts Payable		311,154		65,995
Other (Note 8)		595,206		531,255
Total Liabilities (Note 7)	$	949,860	$	627,269
Net Position:				
Unexpended Appropriations	$	38,206,552	$	35,825,131
Cumulative Results of Operations		4,924,717		5,159,115
Total Net Position	$	43,131,269	$	40,984,246
Total Liabilities and Net Position	$	44,081,129	$	41,611,515

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

		2016		2015
Program Costs:				
Foreign Grant Program (Note 10)				
Foreign Grant Program	$	20,738,473	$	19,522,727
USADF Field Offices		1,346,340		681,229
Field Program Support		209,340		287,034
Headquarters Program Support		1,132,102		1,057,513
Total Foreign Grant Program Costs	$	23,426,255	$	21,548,503
Costs Not Assigned To Programs (Note 10)	$	8,879,836	$	9,024,683
Net Cost of Operations	$	32,306,091	$	30,573,186

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	$ 5,159,115	$ 4,713,506
Budgetary Financing Sources:		
Appropriations Used	29,965,939	29,332,418
Donations and Forfeitures of Cash and Cash Equivalents	1,822,520	1,475,702
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 11)	283,234	210,675
Total Financing Sources	32,071,693	31,018,795
Net Cost of Operations	(32,306,091)	(30,573,186)
Net Change	(234,398)	445,609
Cumulative Results of Operations	$ 4,924,717	$ 5,159,115
Unexpended Appropriations:		
Beginning Balances	$ 35,825,131	$ 36,800,340
Budgetary Financing Sources:		
Appropriations Received	30,000,000	30,000,000
Appropriations Transferred In/Out	4,000,000	400,000
Other Adjustments	(1,652,640)	(2,042,791)
Appropriations Used	(29,965,939)	(29,332,418)
Total Budgetary Financing Sources	2,381,421	(975,209)
Total Unexpended Appropriations	$ 38,206,552	$ 35,825,131
Net Position	$ 43,131,269	$ 40,984,246

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

		2016		2015
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	6,039,651	$	5,953,453
Recoveries of Prior Year Unpaid Obligations		2,324,119		2,363,177
Other changes in unobligated balance		2,350,021		(1,639,650)
Unobligated balance from prior year budget authority, net		10,713,791		6,676,980
Appropriations		31,172,520		31,475,702
Spending authority from offsetting collections		650,000		-
Total Budgetary Resources	$	42,536,311	$	38,152,682
Status of Budgetary Resources:				
New obligations and upward adjustments (Note 13)	$	37,124,277	$	32,113,031
Unobligated balance, end of year:				
Apportioned, unexpired account		1,090,677		1,281,506
Exempt from apportionment, unexpired accounts		1,892,348		1,577,845
Unapportioned, unexpired accounts		-		333,143
Unexpired unobligated balance, end of year		2,983,025		3,192,494
Expired unobligated balance, end of year		2,429,009		2,847,157
Unobligated balance, end of year (total)		5,412,034		6,039,651
Total Budgetary Resources	$	42,536,311	$	38,152,682
Change in Obligated Balance				
Unpaid Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	33,222,849	$	34,487,140
New obligations and upward adjustments (Note 13)		37,124,277		32,113,031
Outlays (gross)		(31,406,070)		(31,014,145)
Recoveries of Prior Year Unpaid Obligations		(2,324,119)		(2,363,177)
Unpaid Obligations, End of Year (Gross)		36,616,937		33,222,849
Memorandum entries:				
Obligated Balance, Start of Year	$	33,222,849	$	34,487,140
Obligated Balance, End of Year	$	36,616,937	$	33,222,849
Budget Authority and Outlays, Net:				
Budget authority, gross	$	31,822,520	$	31,475,702
Actual offsetting collections		(652,662)		(3,141)
Recoveries of prior year paid obligations		2,662		3,141
Budget Authority, net, (total)	$	31,172,520	$	31,475,702
Outlays, gross	$	31,406,070	$	31,014,145
Actual offsetting collections		(652,662)		(3,141)
Outlays, net, (total)		30,753,408		31,011,004
Distributed Offsetting Receipts		(1,172,520)		-
Agency outlays, net	$	29,580,888	$	31,011,004

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

U.S. AFRICAN DEVELOPMENT FOUNDATION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015
(In Dollars)

	2016	2015
Revenue Activity:		
Sources of Cash Collections:		
Miscellaneous	$ 4,728	$ -
Total Cash Collections (Note 15)	4,728	-
Total Custodial Revenue	4,728	-
Disposition of Collections:		
Transferred to Others (by Recipient)	4,728	-
Net Custodial Activity	$ -	$ -

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The United States African Development Foundation ("USADF" or "the Foundation") is a government-owned corporation established by Congress under the African Development Foundation Act in 1980 and began operations in 1984. The Foundation has a unique mission among U.S. foreign assistance programs, by-passing layers of inefficiencies and working directly with the neediest communities in Africa. The Foundation uses a participatory approach to actively engage marginalized local community groups or enterprises in the design and implementation of development projects. This approach ensures these programs are distinctively African initiated and led, resulting in outcomes that best address the real needs of the community. Together, the focus on underserved populations and participatory development ensure greater equity and ownership in the development process. Project success and long term impact is further enhanced through USADF efforts to establish a network of partner organizations, local non-governmental organizations, that provide project design, implementation and management support to USADF grant recipients. The Foundation reporting entity is comprised of Trust Funds and General Funds.

The Foundation maintains a Trust Fund with the U.S. Treasury in accordance with its gift authority. Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The Foundation provides grants and program support to community groups and small enterprises that benefit under served and marginalized groups in Africa.

B. Basis of Presentation

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

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of the Foundation in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, Financial Reporting Requirements as amended and the Foundation's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the Foundation's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

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

D. Fund Balance with Treasury and Cash

Fund Balance with Treasury is the aggregate amount of the Foundation's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases. The U.S. Treasury processes cash receipts and disbursements of appropriated funds. Funds held with/outside the Treasury are available to pay agency liabilities. Funds held outside U.S. Treasury are maintained in accounts in each country with which the Foundation has a Strategic Partnership Agreement. Strategic Partner Governments deposit donations into these in-country accounts. In general, grants are funded equally with appropriated funds and donated funds (funds held outside U.S. Treasury). USADF controls all disbursements from these accounts. Following is a list of banks where the funds are maintained and where grant funds are processed: Bank Gaborone of Botswana, Banco Comercial do Atlantico in Cape Verde, Standard Chartered Bank in Ghana, EcoBank Mali, Zenith Bank Nigeria, EcoBank Nigeria, First National Bank of Swaziland, EcoBank Guinea, EcoBank Benin, Stanbic Bank of Uganda, Banque Commerciale du Rwanda (I&M Bank Limited), EcoBank Malawi, and EcoBank Senegal.

E. Foreign Currencies

The Foundation awards grants to private organizations in Africa. Most of the grants are denominated in local currencies to facilitate accounting by the recipient organizations. Depending on the nature of the transaction, foreign currencies are translated into dollars at the actual exchange rate received by the Foundation when the transaction is made. The value of obligations incurred by the Foundation in foreign currencies varies from time to time depending on the current exchange rate. The Foundation adjusts the value of both funds held outside of treasury and obligations during the year to reflect the prevailing exchange rates. Downward adjustments to prior year obligations based on favorable foreign currency exchange rates will be made available for obligation. Upward adjustment to prior year obligations based on unfavorable foreign currency exchange rate with the U.S. dollar will be made from funds made available for upward adjustments. Obligations in the appropriated multi-year funds will not be adjusted based on the foreign exchange rate until they are paid out.

F. Grant Accounting

The Foundation disburses funds to grantees to cover their projected expenses over a three-month period. Grantees report to the Foundation quarterly on the actual utilization of these funds. For purposes of these financial statements, the Foundation treats disbursements to grantees as advances. The total grant advance is eighteen percent of the amount disbursed to the grantee during the quarter. In order to ensure timeliness in reporting grantee expenditures, the Foundation will use estimates to calculate the last quarter's grantee expenditures, based on historical expenditure trends over a five-year period, and disbursement activity funding in that quarter. The advance will be reversed in the following quarter's financial statements. Once a grant has closed (expired or cancelled) any excess disbursement is reclassified as an Accounts Receivable.

G. Accounts Receivable

Accounts receivable can consist of amounts owed to the Foundation by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

H. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. USADF's capitalization threshold is $20,000 for individual purchases. Vehicle purchases will automatically be capitalized regardless of the cost. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

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

I. Advances and Prepaid Charges

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

J. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the USADF as a result of transactions or events that have already occurred.

The USADF reports its liabilities under two categories, Intragovernmental and with the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represents funds owed to any entity or person that is not a Federal agency, including private sector firms and Federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

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

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, Federal Employees' Compensation Act (FECA), and unemployment insurance.

K. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 100%.

L. Accrued and Actuarial Workers' Compensation

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

M. Retirement Plans

USADF employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of USADF's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the Federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and USADF matches any employee contribution up to an additional four percent of pay. For FERS participants, USADF also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, USADF remits the employer's share of the required contribution.

USADF recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the USADF for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The USADF recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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

N. Other Post-Employment Benefits

The USADF employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the USADF with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The USADF recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the USADF through the recognition of an imputed financing source.

O. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and in the note disclosures. Actual results could differ from those estimates.

P. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. The USADF recognized imputed costs and financing sources in fiscal years 2016 and 2015 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2015 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, 2016 and 2015 were as follows:

	2016	2015
Fund Balances:		
Trust Funds	$ 798,172	$ 338,673
Appropriated Funds	37,779,987	35,094,001
Total Fund Balance with Treasury	38,578,159	35,432,674
Funds Held Outside of Treasury	3,450,812	3,829,826
Total	$ 42,028,971	$ 39,262,500
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 2,983,025	$ 2,859,351
Unavailable	2,429,009	3,180,300
Obligated Balance Not Yet Disbursed	36,616,937	33,222,849
Total	$ 42,028,971	$ 39,262,500

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

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

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

NOTE 3. CASH AND OTHER MONETARY ASSETS

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

Cash and other monetary assets balances as of September 30, 2016 and 2015, totaled $3,450,812 and $3,829,826, respectively. The comparative balances are summarized below:

	2016	2015
EcoBank Mali	$ 310,768	$ 402,090
Stanbic Bank of Uganda	1,709,743	1,518,244
Banque Commerciale du Rwanda (I&M Bank Limited)	597	21,875
Bank Gaborone of Botswana	109,424	114,836
EcoBank Benin	847,182	1,272,964
EcoBank Senegal	72,645	46,038
Banco Comercial do Atlantico, Cape Verde	21,653	21,848
EcoBank Guinea	24,434	26,429
Zenith Bank Nigeria-Kaduna	41,984	41,984
EcoBank Nigeria-Kano	70,752	79,437
EcoBank Nigeria-Abuja	4,800	8,704
EcoBank Malawi	224,574	262,170
Standard Chartered, Ghana	1,187	1,107
First National Bank Swaziland	11,069	12,002
Standard Chartered Bank, Zambia	0	98
Total Funds Held Outside Treasury	$ 3,450,812	$ 3,829,826

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
With the Public		
Employee Receivables	$ 349	$ -
Total Accounts Receivable	$ 349	$ -

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2016:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 1,852,501	$ 1,496,340	$ 356,161
Software	819,784	273,261	546,523
Software-in-Development	43,451	-	43,451
Total	$ 2,715,736	$ 1,769,601	$ 946,135

Schedule of Property, Equipment, and Software as of September 30, 2015:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 1,887,509	$ 1,324,059	$ 563,450
Software	819,784	109,305	710,479
Total	$ 2,707,293	$ 1,433,364	$ 1,273,929

NOTE 6. OTHER ASSETS

Other assets account balances as of September 30, 2016 and 2015, were as follows:

	2016	2015
With the Public		
Grant Advances	$ 1,013,086	$ 1,038,309
Country Program Coordinator Advances	73,377	6,865
Travel Advances	19,211	29,912
Total Other Assets	$ 1,105,674	$ 1,075,086

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the USADF as of September 30, 2016 and 2015 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.

		2016		2015
Intragovernmental – FECA	$	2,344	$	2,344
Unfunded Leave		366,154		365,974
Total Liabilities Not Covered by Budgetary Resources	$	368,498	$	368,318
Total Liabilities Covered by Budgetary Resources		581,362		258,951
Total Liabilities	$	949,860	$	627,269

The FECA liability represents the unfunded liability for actual workers' compensation claims paid on USADF's behalf and payable to the DOL.

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

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2016 were as follows:

		Current		Non Current		Total
Intragovernmental						
FECA Liability	$	2,344	$	-	$	2,344
Payroll Taxes Payable		41,156		-		41,156
Total Intragovernmental Other Liabilities	$	43,500	$	-	$	43,500
With the Public						
Payroll Taxes Payable	$	5,715	$	-	$	5,715
Accrued Funded Payroll and Leave		223,337		-		223,337
Unfunded Leave		366,154		-		366,154
Total Public Other Liabilities	$	595,206	$	-	$	595,206

Other liabilities account balances as of September 30, 2015 were as follows:

	Current		Non Current		Total
Intragovernmental					
FECA Liability	$	2,344	$	-	$ 2,344
Payroll Taxes Payable		27,675		-	27,675
Total Intragovernmental Other Liabilities	$	30,019	$	-	$ 30,019
With the Public					
Payroll Taxes Payable	$	4,869	$	-	$ 4,869
Accrued Funded Payroll and Leave		160,413		-	160,413
Unfunded Leave		365,973		-	365,973
Total Public Other Liabilities	$	531,255	$	-	$ 531,255

NOTE 9. LEASES

Operating Leases

The USADF occupies office space in Washington, DC under a lease agreement that is accounted for as an operating lease. The lease term is for a period of ten years and commenced on May 1, 2008 and expires on April 30, 2018. An amendment to the lease was done in July 2015 to renew and extend the lease for ten years which will now expire April 30, 2028. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. Below is a schedule of future payments for the term of the lease.

Fiscal Year	Building
2017	$ 788,867
2018	808,589
2019	828,804
2020	853,853
2021	881,261
Thereafter	6,374,764
Total Future Payments	$ 10,536,138

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. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

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

	2016	2015
Foreign Grant Program		
Intragovernmental Costs	$ 9,559	$ 9,797
Public Costs	23,416,696	21,538,706
Net Foreign Grant Program Costs	$ 23,426,255	$ 21,548,503
Costs Not Assigned to Programs		
Intragovernmental Costs	$ 3,238,364	$ 2,907,071
Public Costs	5,641,472	6,117,612
Net Costs Not Assigned to Programs	$ 8,879,836	$ 9,024,683
Total Intragovernmental costs	3,247,923	2,916,868
Total Public costs	29,058,168	27,656,318
Total Net Cost	$ 32,306,091	$ 30,573,186

NOTE 11. IMPUTED FINANCING SOURCES

USADF recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2016 and 2015, respectively, imputed financing was as follows:

	2016	2015
Office of Personnel Management	$ 283,234	$ 210,675
Total Imputed Financing Sources	$ 283,234	$ 210,675

NOTE 12. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2016 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2017 and can be found at the OMB Web site: http://www.whitehouse.gov/omb/. The 2017 Budget of the United States Government, with the "Actual" column completed for 2015, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 13. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2016 and 2015 consisted of the following:

	2016	2015
Direct Obligations, Category A	$ 8,992,383	$ 8,015,128
Direct Obligations, Category B	25,768,737	22,997,643
Direct Obligations, Category E	2,363,157	1,100,260
Total Obligations Incurred	$ 37,124,277	$ 32,113,031

Category A apportionments distribute budgetary resources by fiscal quarters.

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

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

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the periods ended September 30, 2016 and 2015, undelivered orders amounted to the following:

	2016	2015
Undelivered Orders	$ 37,141,248	$ 34,038,983
Total Undelivered Orders	$ 37,141,248	$ 34,038,983

NOTE 15. CUSTODIAL ACTIVITY

The USADF is an administrative agency collecting for the General Fund. As a collecting entity, USADF measures and reports cash collections and refunds. These collections are reported as custodial activity on the "Statement of Custodial Activity. For the periods ended September 30, 2016 and 2015, collections totaled $4,728 and $0.

NOTE 16. CONTINGENT LIABILITIES

The USADF records commitments and contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated. There were no contingent liabilities as of September 30, 2016. According to the USADF's legal counsel, the likelihood of unfavorable outcomes for any legal actions and claims is remote. In the opinion of the USADF's management, the ultimate resolution of any proceedings, actions, and claims will not materially affect the financial position or results of operations of the USADF.

NOTE 17. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

	2016	2015
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$ 37,124,277	$ 32,113,031
Spending Authority From Offsetting Collections and Recoveries	(2,976,781)	(2,366,318)
Obligations Net of Offsetting Collections and Recoveries	34,147,496	29,746,713
Offsetting Receipts	(1,172,520)	-
Net Obligations	32,974,976	29,746,713
Other Resources		
Imputed Financing From Costs Absorbed By Others	283,234	210,675
Net Other Resources Used to Finance Activities	283,234	210,675
Total Resources Used to Finance Activities	33,258,210	29,957,388
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change In Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided	(3,102,265)	1,075,018
Resources That Fund Expenses Recognized In Prior Periods	-	767
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Other	1,822,520	-
Resources That Finance the Acquisition of Assets	(43,451)	(867,376)
Total Resources Used to Finance Items Not Part of Net Cost of Operations	(1,323,196)	208,409
Total Resources Used to Finance the Net Cost of Operations	31,935,014	30,165,797
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	181	73,874
Increase In Exchange Revenue Receivable From the Public	(349)	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In Future Periods	(168)	73,874
Components Not Requiring or Generating Resources		
Depreciation and Amortization	371,245	332,678
Other	-	837
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	371,245	333,515
Total Components of Net Cost of Operations That Will Not Require or Generate Resources In The Current Period	371,077	407,389
Net Cost of Operations	$ 32,306,091	$ 30,573,186

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 1

Summary of Financial Statement Audit

Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Ending Balance
[Name of weakness]					
[Name of weakness]					
[Name of weakness]					
Total Material Weaknesses					

Table 2

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	**Unmodified**					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
Total Material Weaknesses						
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	**Modified**					
Material Weakness	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
FISMA 2016	0	9	0	0		9
[Name of weakness]						
[Name of weakness]						
Total Material Weaknesses	0	9	0	0		9
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform, conform except for the below non-conformance (s), or do not conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
[Name of weakness]						
[Name of weakness]						
[Name of weakness]						
Total non-conformances						

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)[70]		
	Agency	Auditor[71]
1. Federal Financial Management System Requirements	No lack of compliance noted, or Lack of compliance noted	No lack of compliance noted, or Lack of compliance noted
2. Applicable Federal Accounting Standar	No lack of compliance noted, or Lack of compliance noted	No lack of compliance noted, or Lack of compliance noted
3. USSFL at Transactions Level	No lack of compliance noted, or Lack of compliance noted	No lack of compliance noted, or Lack of compliance noted

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