ANNUAL MANAGEMENT REPORT OF THE

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR FISCAL YEAR 2014

SUBMITTED PURSUANT TO

THE CHIEF FINANCIAL OFFICERS ACT OF 1990

(31 U.S.C., Section 9106)

AND IN ACCORDANCE WITH OMB'S CIRCULAR A-136

OVERSEAS PRIVATE INVESTMENT CORPORATION

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OVERSEAS PRIVATE INVESTMENT CORPORATION

WASHINGTON, D.C. 20527, USA

OFFICE OF THE
PRESIDENT

November 17, 2014

On behalf of the Overseas Private Investment Corporation, I am pleased to provide you with the Corporation's Annual Management Report and Financial Statements, which provides important information about the Corporation and its finances.

With FY 2014, OPIC is now submitting its financial information to the Treasury as a Significant Entity which requires that OPIC's information be prepared according to Generally Accepted Accounting Principles for Federal Entities. As a result, from FY 2014 forward, OPIC will present its financial statements in accordance with these standards.

I am pleased that OPIC has successfully made this transition, and received an unmodified audit opinion. Our independent auditors have noted an issue which Management accepts and will address consistent with our commitment to best practices. Furthermore, OPIC will continue to elevate its inspections, monitoring, and controls to continuously improve the institution and better serve its development mission.

In FY 2014, OPIC generated net deficit reduction for the U.S. Government of $358 million while maintaining corporate reserves of $5.5 billion in Treasury securities. FY 2014 marks the 37th consecutive year that OPIC has reduced the deficit. OPIC achieved these financial results by adding new commitments of $2.96 billion in development financing and political risk insurance to its diverse portfolio of $18 billion as of September 30, 2014.

These FY 2014 achievements are a testament to the value OPIC brings to U.S. taxpayers as a small agency that engages the private sector through its effective, scalable business model using the revenues it earns to cover the costs of its operations and making a contribution to deficit reduction.

We welcome any questions you may have, and we look forward to working with you in Fiscal Year 2015.

Sincerely,

Elizabeth L. Littlefield

1100 NEW YORK AVE., N. W. · WASHINGTON, D. C. 20527 · FAX (202) 408-5133 · (202) 336-8401

SUMMARY

The Overseas Private Investment Corporation is the US Government's Development Finance Institution. OPIC was created in 1969 under the Foreign Assistance Act of 1961 (FAA), as amended, and began operations in 1971 in accordance with the goals envisioned by Congress and incorporated in OPIC's authorizing statute. The agency's mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies.

In accomplishing its mission, OPIC makes a positive impact on both the U.S. economy and the economic development of host countries. OPIC assures that the projects it supports are consistent with sound environmental and worker rights standards. In conducting its programs, OPIC also takes into account guidance from the Administration and Congress on a country's observance of, and respect for, human rights. In accomplishing its mission, OPIC operates on a self-sustaining basis.

With FY 2014, OPIC completed its 37th consecutive year of generating negative outlays (deficit reduction) for the U.S. taxpayer while executing on its mission of development finance. Overall the agency committed $2.96 billion in finance and insurance across 51 countries and regions and reduced the deficit, to the benefit of the U. S. Treasury and taxpayers, by $358 million.

As of September 30, 2014 the Corporation's portfolio had a combined total exposure of $18 billion or, 62% of a total authorized exposure limit of $29 billion. Consistent with OPIC's legislated limitation, this amount includes undisbursed commitments (obligations) and maximum contingent liability under OPIC's current insurance contracts.

KEY ISSUES

Summarized below are key issues to a reader of OPIC's Financial Statements. Not all matters material to the Financial Statements are discussed below, the financial information and disclosures in the Footnotes provide integral information.

Financial Statement Presentation – Pursuant to Treasury and OMB's designation of the Corporation as a significant entity, the Corporation is presenting its Financial Statements under Generally Accepted Accounting Principles for Federal entities for the first time. Through these statements, OPIC will continue to demonstrate its value added as a federal agency by providing key data on its self-sustaining operations and its ability to protect the Treasury and Taxpayer through prudent reserves and budgetary allocations.

Reauthorization of the Corporation – As of September 30, 2014, the Corporation is operating under the provisions of a Continuing Resolution (Public Law 113-164), which as of this report, extends OPIC's core programs through December 11, 2014. Congress is presently considering legislation (HR 2548 and S2508) that would extend the authority of the Corporation for a longer period of time. Without reauthorization and appropriations, the Corporation will be unable to commit new financing or insurance, or generate the net collections projected in the President's Budget.

Risk Governance and Management – OPIC management has been diligently advancing work for the last few years on several new methods and processes to better manage risk – ranging from more detailed accounting under the Federal Credit Reform Act of 1990, to new financial risk analysis platforms, to a comprehensive enterprise-wide risk assessment and management process at OPIC. Management's investments in risk analytics, processes, and operational risk management will further enable the

Corporation to accomplish its development mission even while protecting the taxpayer against undue risk and contributing to the budget resources available to the government through its self-sustaining operations.

Net Collections – Based on the depth of corporate reserves, prudent risk management, underwriting, and a diversified portfolio, the Corporation generally collects more from all sources than it expends in costs, meeting a straightforward measure of its self-sustaining mandate.

Risks - As a lender and insurer in developing countries, OPIC faces and manages the possibility that a significant credit or insurance event affecting multiple transactions could trigger net losses in OPIC's portfolio. While unlikely, it is possible that these events could result in costs exceeding collections in a future fiscal year. However, only two of the Corporation's 43 years resulted in the Corporation expending more cash than it collected. The Corporation and its governing legislation anticipates this by (1) budgeting and accounting for risks in the credit portfolio through the Credit Reform Act (2) drawing on OPIC's long experience with managing any losses then mitigating them through recoveries, and (3) counterbalancing any potential event with OPIC's actual cumulative record and $5.5 billion in Treasury securities.

Relationship of Collections to Appropriations – OPIC's resources are appropriated from its own earnings and not from the general fund of the Treasury. These resources are used to staff and support the teams which conduct, underwrite, monitor, support and account for transactions. Under current programs, transactions on average generate more income than they use – producing income which is credited during the Appropriations process. All else equal, to the extent that appropriations proposed by the President's Budget are not enacted as requested, then the Corporation will lack the staff and systems to generate collections at the projected levels.

MISSION AND ORGANIZATIONAL STRUCTURE

Vision - OPIC is the U.S. Government's development finance institution. It mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds.

Mission - OPIC's mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from non-market to market economies.

In accomplishing its mission, OPIC makes a positive impact on both the U.S. economy and the economic development of host countries. OPIC assures that the projects it supports are consistent with sound environmental and worker rights standards.

Established as an agency of the U.S. Government in 1971, OPIC operates on a self-sustaining basis at no net cost to American taxpayers. OPIC services are available for new and expanding business enterprises in more than 150 countries worldwide. To date, OPIC has supported more than $200 billion of investment in over 4,000 projects, generated an estimated $76 billion in U.S. exports and supported more than 278,000 American jobs.

OVERSEAS PRIVATE INVESTMENT CORPORATION

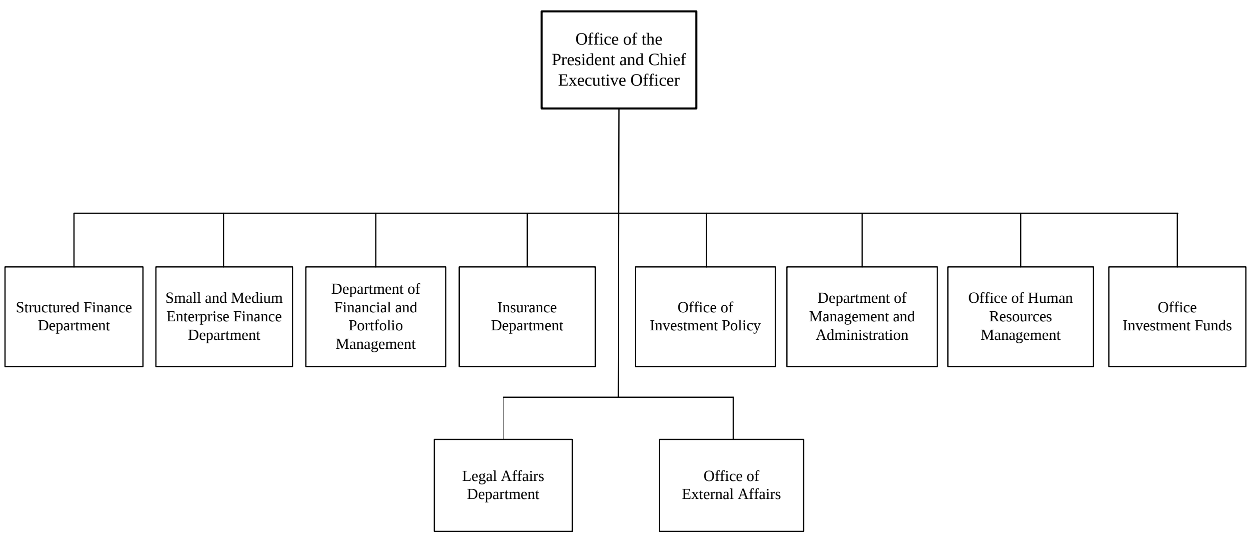
ORGANIZATION STRUCTURE

Board of Directors

OPIC's Board of Directors consists of fifteen members - eight from the private sector and seven from the federal government. At least two of the private sector directors must be experienced in small business, one must represent organized labor, and another must have experience in cooperatives. Government members include the Administrator of the Agency for International Development, the United States Trade Representative or Deputy U.S. Trade Representative, the President of OPIC, and four additional members who are senior officials of other government agencies- the Departments of State, Commerce, Treasury and Labor. All members are appointed by the President of the United States and confirmed by the Senate.

The Board of Directors, which meets four times per year, provides policy guidance to the Corporation and approves all major insurance, project finance and investment funds projects.

Executive Offices



Office of the President and Chief Executive Officer – The President and CEO of the Corporation provides overall leadership, and Chairs the Board of Directors. The Office includes the Senate-confirmed Executive Vice President, the Chief of Staff, and the Office of Accountability.

Office of External Affairs - The Office of External Affairs engages all of OPIC's stakeholders in Congress, the Executive Branch, and the Public at large. OEA conducts outreach to potential investors, provides internal support and resources for information needs, and addresses press inquiries.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Department of Financial and Portfolio Management – This office is responsible for the financial leadership of OPIC through financial management, controls, risk and portfolio management. FPM works with Senior Management to link financial and performance information to decision-making and ensure that strong internal controls remains a part of all key management processes. FPM is comprised of five units that, together, ensure the agency maintains the highest level of stewardship over OPIC's accounting, portfolio, and risk management systems.

- Financial Management
- Budget and Resource Planning
- Credit Policy
- Portfolio Management Division
- Risk Management

Small and Medium Enterprise Finance (SMEF) **-** SMEF lends to small and mid-market companies in developing overseas projects. SMEF works in a wide variety of industries. Sectors that receive special emphasis are renewable energy, impact investing, housing, and microfinance.

Structured Finance (SF) **-** Structured Finance specializes in larger and more complex financing due to size, complexity of projects located in high priority foreign policy areas, or project sponsors that are not covered by SMEF.

Insurance – OPIC offers eligible investors insurance and reinsurance against risks of Currency Inconvertibility, Expropriation, or Political Violence. OPIC also provides more specialized forms of insurance such as cover for capital markets, contractors, or institutional lenders with exposure in an eligible country.

Investment Funds Department - The Investment Funds Department supports through its lending the creation of privately owned, privately managed investment funds that make direct equity and equity-related investments in new, expanding or privatizing companies. By providing long-term, patient growth capital and facilitating critically needed technology and management skills development, these funds act as a catalyst for private sector economic activity in the developing countries served.

Office of Human Resources Management – Provides the range of services and strategic support for OPICs key resource – its people. HRM provides for all human capital needs of the Corporation including: recruitment and hiring, performance management, employee training and development, compensation and benefits, labor and employee relations, employee welfare and motivation, and workforce planning.

Office of Investment Policy - The Office of Investment Policy (OIP) implements statutory and policy requirements on OPIC's programs and lending. OIP screens, evaluates, and monitors projects for risks to the environment, respect for worker and human rights, impacts on US employment and the US economy, as well as the local developmental impacts of the projects that OPIC supports.

Legal Affairs **-** The Department of Legal Affairs provides in-house legal counsel and advice for all of OPIC including counsel to the Board of Directors and senior management, support for all transactions, interpretation and advice on laws, and negotiation of bilateral agreements with foreign governments.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Department of Management & Administration - The Department of Management and Administration (DMA) offers a wide variety of programs to manage the agency's facilities and assets, and provides a wide range of support services.

- Office of the Chief Information Officer
- Facilities and Administrative Services
- Travel
- Procurement
- Records Management
- Internal Control Program
- Operational Risk Management
- Security
- Continuity of Operations and Emergency Preparedness
- Corporate Performance and Strategic Planning

PERFORMANCE GOALS, OBJECTIVE, AND RESULTS

OPIC continues to be a net contributor to the budget and to operate on a self-sustaining basis, even as it deploys additional capital in an environment that remains financially challenging and in markets that remain volatile. Recently, one of OPIC's focus areas has been origination and partnering in response to new clean energy targets.

In addition to OPIC's GPRA data below, OPIC also produces a development analysis on a separate schedule pursuant to the Foreign Assistance Act of 1961 - "*Annual Report on Development Impact* " (link).

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2013		FY 2014		FY 2015
			Target	Actual	Target	Actual	Target
Grow Portfolio Impact	Aim for high development impact	Project Development Score	50	59	50	53	50
	Increase commitments	Millions of dollars in finance and insurance project commitments	$3,750	$3,927	$3,750	$3,927	$4,200
Increase Environmental Benefit	Maintain focus on renewable resources and energy efficiency	Millions of dollars in finance and insurance commitments in projects that are dedicated to renewable resources and energy efficiency	$750	$1,276	$750	$1,276	$1,000
	Minimize GHG emissions across portfolio	Millions of tons of CO_2 emitted by projects in the OPIC portfolio[1]	36	NA[1]	36	NA	36

[1] Targets are based on an anticipated reduction in CO2 emissions, from 2008 baseline levels by 2014. OPIC is presently collecting calendar year 2013 emission data.

FINANCIAL STATEMENTS

The accompanying FY 2014 financial statements have been prepared in accordance with generally accepted accounting principles in the United States applicable to federal agencies. The format of the financial statements and footnotes are in accordance the form and content guidance provided in Circular A-136, Financial Reporting Requirements, revised September 18, 2014, issued by the Office of Management and Budget (OMB). Circular A-136 details the financial data required to be disclosed, the assertions and reviews over financial information that must be performed and suggests the presentation of such information. OPIC's FY 2013 financial statements may be found in OPIC's *2013 Annual Report* (link).

Overview of Financial Position

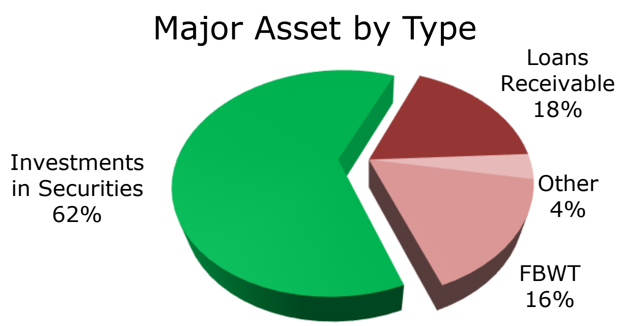
In accordance with the Chief Financial Act of 1990 and the Government Management Reform Act of 1994, OPIC prepared single year financial statements, which include the Balance Sheet, Statement of Net Cost, Statement of Change in Net Position, and the Statement of Budgetary Resources.

Balance Sheet

The balance sheet is a representation of OPIC's financial condition at the end of the fiscal year. It shows the resources available to meet its statutory requirements (Assets); the amounts it owes that will require payment from the available resources (Liabilities); and the difference between Assets and Liabilities (OPIC's Net Position).

Assets

At the end of FY 2014, OPIC held $8.92 billion in assets. The majority of OPIC's assets are Fund Balance with Treasury (FBWT), Investments in Securities, and Loans Receivables. The Balance Sheet separately identifies intragovernmental assets from all other assets. The largest category of assets is investments at $5.55 billion, which represents 62% of all OPIC assets. These Treasury Securities are the core of OPIC's reserves and are direct evidence that OPIC has collected more than it has spent. The securities portfolio enables OPIC to bear the risk to the Corporation while minimizing the likelihood of needing future direct appropriations from the General Fund.



Liabilities

OPIC's liabilities, or amounts owed from past transactions or events, were $3.55 billion as of the year ended September 30, 2014. The bulk of these liabilities are $2.81 billion in borrowings used to fund Credit Reform transactions and $593.7 million in downward re-estimates payable to Treasury.

Net Position

OPIC's Net Position represents the difference between assets and liabilities. Changes in OPIC's net position results from changes that occur within the Cumulative Results of Operations.

Statement of Net Cost

The Statement of Net Cost (SNC) in the federal government is different from a private sector income statement in that the SNC reports expenses first and then subtracts the revenues that financed those expenses to arrive at a net cost.

OPIC's SNC presents its cost of implementing two programs: Financing and Insurance. OPIC derives its Net Cost by subtracting the revenues it earned from the gross costs it incurred in providing the services related to each program. OPIC's total FY 2014 Net Cost of Operations was ($456) million.

Statement of Budgetary Resources

In accordance with Federal statutes and implementing regulations, OPIC may incur obligations and make payments to the extent it has budgetary resources to cover such items. The Statement of Budgetary Resources (SBR) presents the sources of OPIC's budgetary resources, their status at the end of the year, obligated balances, and the relationship between its budgetary resources and the outlays made against them.

Other Management Information

OPIC has a statutory maximum contingent liability limit of $29 billion pursuant to 22 USC 2195(a). As of September 30, 2014, OPIC's Maximum Worldwide Exposure is $18.02 billion, of which $3.05 billion is risk under OPIC's Political Risk Insurance Program and $14.97 billion under OPIC's Credit Reform program. This exposure has a geographic distribution as follows:

Maximum Worldwide Exposure by Geographic Region
As of September 30, 2014
Dollars, Millions

Latin America and the Caribbean	$5,496	30%
Sub-Saharan Africa	$3,661	20%
North Africa/Middle East	$3,267	18%
Eastern Europe & NIS	$2,978	17%
Asia	$2,580	14%
Worldwide Funds	$680	4%
Stop Loss Adjustments	($643)	-4%
TOTAL	**$18,020**	**100%**
Statutory Limitation	$29,000	

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of OPIC. While the statements have been prepared from the books and records of OPIC in accordance with GAAP for Federal entities and the formats prescribed by OMB, 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.

CliftonLarsonAllen LLP

www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Overseas Private Investment Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Overseas Private Investment Corporation (OPIC), which comprise the balance sheet as of September 30, 2014 and the related statements of net cost and changes in net position, the combined statement of budgetary resources for the year then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

OPIC management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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.

We are also responsible for applying certain limited procedures with respect to the required supplementary information and other information included with the financial statements.

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 Overseas Private Investment Corporation as of September 30, 2014 and its net costs, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the U.S.

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that OPIC’s Management Discussion and Analysis (MD A) and other Required Supplementary Information (RSI) be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD A and other RSI in accordance with auditing standards generally accepted in the U.S., 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD A and other RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The Agency Head Letter and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. The Agency Head Letter and other information have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered OPIC’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OPIC’s internal control or on management’s statement of assurance on internal control included in the

MD A. Accordingly, we do not express an opinion on the effectiveness of OPIC's internal control or on management's statement of assurance on internal control included in the MD A.

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

Our consideration of 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described below, that we consider to be a significant deficiency.

<u>Lack of Supporting Detail for Undelivered Orders</u>

> OPIC is not able to properly report and monitor the status of non-financing obligations. Upon testing OPICs Undelivered Orders (UDOs) for FY 2014, we identified that OPIC was unable to provide a detailed report of UDOs for non-financing obligations. The unsupported UDOs represented approximately $57 million or 2.3% of the total $2.5 billion undelivered orders balance. The inability to create this report is caused by a system limitation in which current interfaces are not populating the appropriate data fields and generational changes between versions of the core financial system have not converted the data in a uniform manner. This results in the data related to the obligating document number being stored in various fields or not stored at all. The inability to produce and reconcile a report of UDOs could result in an overstatement of the UDO balance. Management should develop and reconcile reports that will identify the amount of UDOs for non-financing accounts and the working capital portion of financing accounts. The amount of unsupported UDOs was not material to the financial statements.

Report on Compliance

As part of obtaining reasonable assurance about whether OPIC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below.

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

Management’s Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA)[only use FMFIA if defined previously] (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, (3) ensuring OPIC’s financial management systems are in substantial compliance with FFMIA requirements, and (4) complying with other applicable laws, regulations, contracts, and grant agreements.

Auditors’ Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, and (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing.

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 controls 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, regulations, contracts and grant agreements applicable to OPIC. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Management’s Response to Findings

Management’s response to the findings identified in our report is presented in Exhibit A. We did not audit OPIC’s response and, accordingly, we express no opinion on it.

Status of Prior Year’s Control Deficiencies

We have reviewed the status of OPIC’s corrective action with respect to the finding included in the prior year’s Independent Auditors’ Report, dated December 13, 2013. The status of prior year findings is presented in Exhibit B.

INDEPENDENT AUDITORS' REPORT (Continued)

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

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance 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 OPIC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPIC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Calverton, Maryland
November 17, 2014

EXHIBIT A
Management's Response

Management accepts the finding and will address consistent with our commitment to best practices. Furthermore, OPIC will continue to elevate its inspections, monitoring, and controls to improve the institution and better serve its development mission.

EXHIBIT B
Status of Prior Year Recommendation

Our assessment of the current status of the recommendation related to the finding identified in the prior year audit is presented below:

Prior Year Condition	*Type*	*Fiscal Year 2014 Status*
1. Information System Controls Need Improvement □ we noted several areas where improvement was needed over information system controls.	Significant Deficiency - 2013	Resolved

OVERSEAS PRIVATE INVESTMENT CORPORATION

Financial Statements

As of and for the year ended September 30, 2014

OVERSEAS PRIVATE INVESTMENT CORPORATION
BALANCE SHEET
As of September 30, 2014

(*in thousands*)	2014
Assets	
Intragovernmental:	
Fund Balance with Treasury (Note 3)	$ 1,453,690
Investments (Note 4)	5,551,254
Accounts Receivable, Net (Note 5)	395
Total Intragovernmental	7,005,339
With the Public:	
Accounts Receivable, Net (Note 5)	5,345
Credit Program Receivable, Net (Note 6)	1,608,023
Negative Loan Guarantee Liability (Note 6)	298,266
Property and Equipment, Net (Note 7)	3,878
Advances	559
Total Assets	$ 8,921,410
Liabilities	
Intragovernmental:	
Borrowings from Treasury	$ 2,806,608
Downward Reestimate Payable to Treasury (Note 2)	593,713
Other Liabilities (Note 11)	126
Total Intragovernmental	3,400,447
With the Public:	
Unearned Revenue (Note 9)	106,922
Insurance Program Liabilities (Note 10)	34,428
Other Liabilities (Note 11)	6,300
Total Liabilities	3,548,097
Net Position	
Cumulative Results of Operations	5,373,313
Unexpended Appropriations	0
Total Net Position	5,373,313
Total Liabilities and Net Position	$ 8,921,410

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
STATEMENT OF NET COST
For the year ended September 30, 2014

(in thousands)		2014
Insurance Program		
Gross Costs (Note 13)		
Operating Costs	$	62,429
Insurance Claim Recovery		(26,059)
Total Gross Costs		36,370
Less: Earned Revenue		(162,432)
Net Insurance Program Costs		(126,062)
Financing Program		
Gross Costs		
Operating Costs		127,955
Subsidy Costs/(Reduction)		(228,290)
Future Funded Costs/(Reduction)		(130,565)
Total Gross Costs		(230,900)
Less: Earned Revenue		(98,957)
Net Financing Program Costs		(329,857)
Net Cost of Operations	$	(455,919)

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
STATEMENT OF CHANGES IN NET POSITION
For the year ended September 30, 2014

(in thousands)	2014
Cumulative Results of Operations	
Beginning Balance	$ 5,037,664
Budgetary Financing Sources	
Appropriations Used	638,508
Transfers In/Out Without Reimbursement	1,894
Other Financing Sources (Non-exchange)	
Transfers In/Out Without Reimbursement	80,557
Imputed Financing	1,073
Offset to Non-entity Collections	(842,302)
Total Financing Sources	(120,270)
Net Cost of Operations	455,919
Net Change	335,649
Cumulative Results of Operations	$ 5,373,313
Unexpended Appropriations	
Appropriations Received	638,508
Appropriations Used	(638,508)
Total Unexpended Appropriations	0
Net Position	$ 5,373,313

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the year ended September 30, 2014

(in thousands)	2014 Budgetary	2014 Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources		
Unobligated Balance Brought Forward, October 1	$ 5,164,224	$ 857,615
Recoveries of Prior Year Unpaid Obligations	266,607	453,529
Other Changes in Unobligated Balance	1,893	(505,809)
Unobligated Balance from Prior Year Budget Authority, Net	5,432,724	805,335
Appropriations	638,508	0
Borrowing Authority	0	955,039
Spending Authority from Offsetting Collections	230,331	1,135,008
Total Budgetary Resources	$ 6,301,563	$ 2,895,382
Status of Budgetary Resources		
Obligations Incurred (Note 14)	$ (753,588)	$ (1,579,689)
Unobligated Balance, End of Year		
Apportioned	(29,097)	(6,380)
Unapportioned	(5,518,878)	(1,309,313)
Total Unobligated Balance, End of Year	(5,547,975)	(1,315,693)
Total Budgetary Resources	$ (6,301,563)	$ (2,895,382)
Change in Obligated Balance		
Unpaid Obligations, Brought Forward, October 1	$ (361,810)	$ (2,522,146)
Obligations Incurred	(753,589)	(1,579,689)
Gross Outlays	752,784	1,212,130
Recoveries of Prior Year Unpaid Obligations	266,607	453,529
Unpaid Obligations, End of Year	(96,008)	(2,436,176)
Uncollected Customer Payments, Federal Sources Brought Forward, October 1	42,899	77,383
Change in Uncollected Customer Payments from Federal Sources	1,555	(7,463)
Uncollected Customer Payments from Federal Sources, End of Year	44,454	69,920
Memorandum (non-add) entry		
Obligated Balance, Start of Year	(318,911)	(2,444,763)
Obligated Balance, End of Year (Net)	$ (51,554)	$ (2,366,256)
Budget Authority and Outlays (Net)		
Budget Authority, Gross	$ 868,839	$ 2,090,046
Actual Offsetting Collections	(228,776)	(1,157,283)
Change in Uncollected Customer Payments	(1,555)	7,463
Budget Authority (Net)	$ 638,508	$ 940,226
Outlays, Gross	$ (752,784)	$ (1,212,129)
Actual Offsetting Collections	228,776	1,157,283
Distributed Offsetting Receipts	0	842,302
Agency Outlays, Net	$ (524,008)	$ 787,456

The accompanying notes are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

A. Reporting Entity

Established in 1971, the Overseas Private Investment Corporation (OPIC) is a self-sustaining United States (U.S.) Government corporation created under the Foreign Assistance Act of 1961 (FAA), as amended. OPIC facilitates U.S. private investment in developing countries and emerging market economies, primarily by providing direct loans and loan guarantees, and political risk insurance.

B. Basis of Accounting and Presentation

In fiscal year 2014, OPIC changed its basis of accounting from reporting under U.S. generally accepted accounting principles (U.S. GAAP) promulgated by the Financial Accounting Standards Board (FASB) to U.S. GAAP promulgated by the Financial Accounting Standards Advisory Board (FASAB). The FASAB is recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the U.S. Federal government. These standards have been agreed to, and published by the Director of the Office of Management and Budget (OMB), the Secretary of the Treasury, and the Comptroller General. The decision to change accounting methodologies was prompted by various factors, including the U.S. Department of the Treasury's (Treasury) recognition of OPIC as a "significant entity".

The format of the financial statements and footnotes are presented in accordance with the form and content guidance provided in OMB Circular A-136, *Financial Reporting Requirements*, revised September 18, 2014. OPIC's financial statements are presented on the accrual and budgetary basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

C. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date the financial statements, and the reported amounts of revenue and expenses during the reporting period. OPIC management makes assumptions and uses estimates to prepare the financial statements based upon the facts that exist when the statements are prepared. Actual results may differ from those estimates.

The largest estimates are a result of the Federal Credit Reform Act of 1990 (FCRA) requirements. FCRA underlies the proprietary and budgetary accounting treatment of direct loans and loan guarantees. The long-term cost to the government for direct loans and loan guarantees, other than for general administration of the programs, is referred to as "subsidy cost." Under FCRA, direct loan and loan guarantee subsidy costs are determined as the estimated net present value of the future projected cash flows in the year the loan is obligated. Future projected cash flows are developed from assumptions that include, but are not limited to, collections, repayments, default rates, and prevailing interest rates. OPIC recognizes the sensitivity of its projections to certain assumptions and therefore continually reviews the structure and functionality of its credit reform models to reflect the most accurate information at the date of the financial statements. Subsidy costs are reestimated on an annual basis.

Other significant estimates made by management are reflected in the liability for insurance programs. The loss experience of OPIC's Political Risk Insurance Program is characterized by high impact low frequency events. Due to the high number of variables that influence projection of the ultimate payments to cover insurance liabilities, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the estimation of the liability.

D. Investments

Investments are in U.S. Treasury securities and are carried at face value, net of unamortized discount or premium, and are held to maturity. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

E. General Property, Plant, and Equipment

OPIC capitalizes property and equipment at historical cost for acquisitions exceeding $5,000. Depreciation and amortization of fixed assets, leasehold improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 15 years.

F. Federal Employee Benefits

Leave

Employee annual leave is accrued as it is earned and reduced as leave is taken. Each year the balance of accrued annual leave is adjusted to reflect current pay rates as well as forfeited "use or lose" leave. Amounts are reported as unfunded to the extent current or prior year appropriations are not available to fund annual leave earned but not taken. Sick leave and other types of non-vested leave are expensed as taken.

Employee Health and Life Insurance Benefits

OPIC employees may choose to participate in the contributory Federal Employees Health Benefit and the Federal Employees Group Life Insurance programs. OPIC matches a portion of the employee contributions to each program. Such matching contributions are recognized as current operating expenses.

Employee Pension Benefits

OPIC employees participate in either the Civil Service Retirement System or the Federal Employees Retirement System (FERS) and Social Security. These systems provide benefits upon retirement and in the event of death, disability or other termination of employment and may also provide pre-retirement benefits. They may also include benefits to survivors and their dependents, and they may contain early retirement or other special features. OPIC's contributions to both retirement plans, as well as to the government-wide Federal Insurance Contribution Act, administered by the Social Security Administration, are recognized as current operating expenses. Federal employee benefits also include the Thrift Savings Plan. For FERS employees, OPIC matches employee contributions to the plan, subject to limitations. The matching contributions are recognized as current operating expenses.

Imputed Financing Costs

OPIC recognizes the full cost of providing all employee benefits and future retirement benefits, including life and health insurance, at the time employee services are rendered. Eligible retired OPIC employees can continue to participate in health and life insurance plans. The cost of these benefits is funded through Agency contributions, employee compensation to the extent withheld from employee and retiree pay, from matching of employee withholding for Thrift Savings Plan and Federal Insurance Contributions Act (FICA), and by the Office of Personnel Management (OPM) which administers the retirement programs for OPIC employees. The OPM calculates imputed costs as the actuarial present value of future benefits attributed to services rendered by covered employees and eligible retired OPIC employees during the accounting period, net of the amounts contributed by employees, retirees and the Agency. OPIC recognizes imputed financing costs in the statement of net cost and in the statement of changes in net position.

Federal Employees' Compensation Act

The Federal Employees' Compensation Act provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor. The Department of Labor pays valid claims as they occur, which are billed to OPIC annually and funded and paid approximately 15 months later. The Department of Labor also calculates an estimated actuarial liability for future benefits based upon historical experience and other economic variables.

G. Insurance Program

The Insurance Program liability represents claims incurred but not reported, resulting from insured events that have occurred as of the reporting date and from claims submitted but not yet paid. The amount recognized in the balance sheet is a liability known with certainty; plus, an accrual for a contingent liability to be recognized when an existing condition, situation, or set of circumstances involving uncertainty is resolved. Possible losses are determined when one or more future events occur or fail to occur; a future outflow or other sacrifice of resources becomes probable, and the future outflow or sacrifice of resources is measurable.

H. Commitments and Contingencies

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. There are substantial factual and legal issues that might bar any recovery in these matters. It is not possible to evaluate the likelihood of any unfavorable outcome, nor is it possible to estimate the amount of compensation, if any, that may be determined to be owed in the context of a settlement. Management believes that the resolution of these claims will not have a material adverse impact on OPIC.

NOTE 2: NON-ENTITY ASSETS

Federal credit programs are required to report excess or negative subsidy amounts to be transferred to Treasury in separate non-entity "receipt" accounts. OPIC cannot transfer these funds to these receipt accounts until they receive budget authority from OMB which will occur in fiscal year 2015. The balance at September 30, 2014 represents the current year downward reestimate for OPIC's finance programs.

(in thousands)	2014
Entity:	
Financing Fund Payable	$ 593,713
Non-Entity:	
Miscellaneous Receipts Fund Receivable	(593,713)
Downward Reestimate Payable to Treasury	593,713
Balance Sheet Reported Payable	$ 593,713

NOTE 3: FUND BALANCE WITH TREASURY

Treasury processes cash receipts and disbursements on OPIC's behalf to pay liabilities and finance authorized purchases. The fund balance with Treasury includes general, revolving, and deposit funds in OPIC's accounts. The general fund is used for negative subsidy and downward reestimates, revolving funds are used for operating expenses and OPIC's finance and insurance programs, and deposit funds are for taxes withheld on payments to contractors. OPIC's fund balance with Treasury accounts are reconciled with those of Treasury on a regular basis. At September 30, 2014, there were no unreconciled differences between Treasury records and balances reported on OPIC's general ledger. The fund balance with Treasury as of September 30, 2014 consists of the following:

(in thousands)	2014
Fund Balances:	
Revolving Funds	$ 1,324,041
General Funds	129,648
Deposit Funds	1
Total	$ 1,453,690
Status of Fund Balance with Treasury:	
Unobligated Balance	
Available	$ 893,185
Obligated Balance not yet Disbursed	560,504
Non-Budgetary Fund Balance with Treasury	1
Total	$ 1,453,690

NOTE 4: INVESTMENTS

By statute, OPIC is authorized to invest funds derived from fees and other revenues related to its insurance program~~s~~ in U.S. Treasury Marketable Securities. Investments are carried at face value, net of unamortized discount or premium, and are held to maturity. Premiums or discounts are amortized using the effective yield method. Interest income is compounded semi-annually by Treasury and adjusted to include an accrual for interest earned to September 30. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered. The composition of investments and amortized cost at September 30, 2014 is as follows:

	2014				
(in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Market Value
U.S. Treasury Marketable Securities:					
Notes	$ 4,789,019	$ (6,347)	$ 22,519	$ 4,805,191	$ 4,811,672
Bonds	777,584	(43,411)	11,890	746,063	886,758
Total U.S. Treasury Marketable Securities	$ 5,566,603	$ (49,758)	$ 34,409	$ 5,551,254	$ 5,698,430

NOTE 5: ACCOUNTS RECEIVABLE, NET

Accounts receivable are amounts due to OPIC from the public and other Federal agencies. Receivables from the public result from assets acquired in insurance claims settlements. Amounts due from Federal agencies result from reimbursable agreements entered into by OPIC with other agencies to provide various services. Accounts receivable are reduced to net realizable value by an allowance for uncollectible amounts. Allowances are based on management’s periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, and prior loss experience. The primary components of OPIC’s accounts receivable as of September 30, 2014 are as follows:

(in thousands)	2014
Intragovernmental:	
Accounts Receivable	$ 395
With the Public:	
Accounts Receivable	2,075
Insurance Settlement	7,574
Allowance for Uncollectible Amounts	(4,304)
Accounts Receivable, Net	$ 5,740

NOTE 6: DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

Direct Loan and Loan Guarantee Programs

The Federal Credit Reform Act of 1990 (FCRA) governs direct loans made after fiscal year 1991. FCRA loans are valued at the present value of expected future cash flows, discounted at the interest rate of U.S. Treasury Marketable Securities. The subsidy allowance represents the difference between the outstanding loans receivable balance and the net present value of the estimated cash flows of the loans over their remaining term. The subsidy allowance is subtracted from the outstanding loans receivable balance to obtain the net loans receivable balance. FCRA also governs loan guarantees made after fiscal year 1991. The liability is determined by calculating the net present value of expected future cash flows for outstanding guarantees in a manner similar to that used to determine the subsidy allowance for direct loans. Loan guarantee liability can be positive or negative and if negative is reported as an asset on the Balance Sheet. Guaranteed loans purchased by OPIC upon borrower default are established as loans receivable and are valued in a similar manner as direct loans under FCRA.

Budgetary Accounting for Loan Programs

OPIC’s loan disbursements are financed by Agency self-funded appropriation authority for long-term loan subsidy cost and borrowings from Treasury for the remaining non-subsidized portion of the loans. The Congress may authorize one year, multi-year or no year appropriation authority to cover the estimated long-term costs of the loan programs. The non-subsidized portion of each loan disbursement, financed initially under permanent indefinite authority to borrow funds from Treasury, is repaid from collections of loan fees, repayments and default recoveries. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to OPIC. As required by the Federal Credit Reform Act of 1990, OPIC uses budgetary “program accounts” to account for appropriation authority in its credit programs and nonbudgetary “financing accounts” to account for credit program cash flow. Estimates and reestimates of credit program subsidy expenses are recorded in OPIC’s program accounts. Financing accounts are used to account for Treasury borrowings, the collection of loan fees, repayments and default recoveries, and the disbursement of loans and loan expenses.

Non-Budgetary Credit Reform Financing Accounts

Actual cash flows for direct loan and loan guarantee programs are recorded in separate Credit Reform Financing Accounts within Treasury. These accounts borrow funds from Treasury, make direct loan disbursements, pay claims on guaranteed loans, collect principal, interest, and fees from borrowers, earn interest from Treasury on any uninvested funds, pay interest expense on outstanding borrowings and transfer negative subsidy to Treasury’s general fund receipt account. New subsidy funded from OPIC’s non-credit spending authority and appropriated upward subsidy re-estimates are received in program accounts and transferred to non-budgetary credit reform financing accounts. The budgetary resources and activities for these accounts are presented separately in the Statement of Budgetary Resources and the Budget of the United States and are excluded from the determination of the budget deficit or surplus. OPIC also has the authority to collect and retain fees in the non-budgetary credit reform financing accounts designated for oversight and due diligence of the portfolio management.

Subsidy Funding under Federal Credit Reform

FCRA requires that the credit subsidy costs of direct loans and loan guarantees be expensed in the year loans are disbursed. The credit subsidy cost is the net present value of expected cash inflows and outflows over the life of a guaranteed loan, or the difference between the net present value of expected cash flows and the face value of a direct loan. The cost expressed as a percentage of loans disbursed is termed the subsidy rate. OPIC receives annual authority from Congress to self fund its credit program subsidy. OPIC records subsidy expenses when loans are disbursed. In accordance with FCRA, subsidy costs are reestimated annually.

Interest Receivable

Interest receivable is comprised of accrued interest on loans receivable and purchased interest related to defaulted guaranteed loans. Interest income is accrued at the contractual rate on the outstanding principal. Purchased interest is carried at cost.

Valuation Methodology for Direct Loans and Loan Guarantees

The value of direct loans and loan guarantees is based on the net present value of their expected future cash flows. OPIC estimates future cash flows for direct loans and loan guarantees using economic and financial credit subsidy models. OPIC's models vary in the specific methodologies employed to forecast future program cash flows. In general, however, models for all major credit programs use historical data as the basis for assumptions about future program performance and then translate these assumptions into nominal cash flow estimates by applying rules about program structure. Nominal cash flow forecasts are discounted using the Office of Management and Budget's Credit Subsidy Calculator that has both forecasted and actual Treasury interest rates.

Historical data is used as the basis for program performance assumptions. The historical data undergoes quality review and analysis prior to its use in developing model assumptions. Key input to the subsidy models varies by program and includes items such as:

- Contractual terms of the loan or guarantee such as loan amount, interest rate, maturity and grace period
- Borrower characteristics
- Loan performance assumptions, such as default and recovery rates
- Loan fee rates

In fiscal year 2014 OPIC implemented a new rating methodology for its Federal Credit Reform reestimates. The new methodology is based on industry best practices and the expert judgment of a core panel of officers from origination, monitoring, credit policy and risk management who worked in conjunction with Moody's Analytics. The methodology provides more refined tools to rate the portfolio risk with a consistent and standardized approach.

A. Direct Loans and Defaulted Loans Receivable, Net

(in thousands)	2014			
	Loans Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Loans, Net
Direct Loans and Defaulted Loan Guarantees	$ 1,638,862	$ 87,769	$ (118,608)	$ 1,608,023

B. Total Amount of Direct Loans Disbursed

(in thousands)	2014
Direct Loan Disbursements	$ 221,953

C. Schedule for Reconciling Direct Loan Subsidy Cost Allowance

(in thousands)	2014
Beginning balance of the subsidy cost allowance	$ (139,084)
Add: subsidy expense for direct loans disbursed during the year by component:	
Interest rate differential costs	3,153
Default costs (net of recoveries)	(24,720)
Fees and other collections	33,331
Other subsidy costs	(5,223)
Total of the above subsidy expense components	6,541
Adjustments:	
Fees received	(2,681)
Loans written off	27,799
Subsidy allowance amortization	(42,363)
Other	(999)
Total adjustments	(18,244)
Total subsidy cost allowance before reestimates	(150,787)
Add or subtract subsidy reestimates by component:	
Interest on reestimate	(46,560)
Technical/default reestimate	78,739
Total reestimates	32,179
Ending balance of the subsidy cost allowance	$ (118,608)

D. Outstanding Principal of Loan Guarantees

(in thousands)	2014
Loan Guarantees	$ 7,578,414

E. New Loan Guarantees Disbursed

(in thousands)	2014
Loan Guarantees	$ 1,648,190

F. Schedule for Reconciling the Negative Loan Guarantee Liability

(in thousands)	2014
Beginning balance of the negative loan guarantee liability	$ 70,518
Add: subsidy income/(expense) for guaranteed loans disbursed during the year by component:	
Default costs (net of recoveries)	(123,725)
Fees and other collections	270,847
Other subsidy costs	(460)
Total of the above subsidy income/(expense) components	146,662
Adjustments:	
Fees accrued	(139,916)
Loans written off	50,565
Subsidy allowance amortization	(3,036)
Total adjustments	(92,387)
Ending balance of the negative loan guarantee liability before reestimates	124,793
Add or subtract subsidy reestimates by component:	
Interest on reestimate	48,634
Technical/default reestimate	124,839
Total of the above reestimate components	173,473
Ending balance of the negative loan guarantee liability	$ 298,266

G. Subsidy Rates by Program and Component

	2014				
	Interest	Defaults	Fees & Other Collections	Other	Total
Direct Loans	0%	11.85%	-16.12%	0%	-4.27%
Loan Guarantees:					
Finance Guarantees	0%	5.75%	-11.76%	0%	-6.01%
Investment Funds	0%	5.25%	-14.20%	0%	-8.95%
Limited Arbitral Award Coverage	0%	4.69%	-6.00%	0%	-1.31%
Non-Honoring of Sovereign Guarantees	0%	2.42%	-8.96%	0%	-6.54%

The subsidy rates presented above are consistent with the estimated subsidy rates published in the Federal Credit Supplement to the Budget of the U.S. Government except for differences due to rounding. The published budget formulation subsidy rates are notional, for illustrative purposes only, as OPIC estimates subsidy on a loan-by-loan basis at the time of obligation. These rates cannot be applied to the direct loans and loan guarantees disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from the disbursements of loans obligated in the current and prior fiscal years. Subsidy expense reported in the current year also includes the cost of subsidy reestimates.

H. Administrative Expenses

OPIC incurs administrative expenses to carry out its credit reform programs. This amount is determined by annual appropriation legislation and self-funded by OPIC’s budget authority.

(in thousands)	2014
Direct Loan and Loan Guarantee Administrative Expense	$ 37,544

NOTE 7: PROPERTY AND EQUIPMENT, NET

OPIC capitalizes property and equipment at historical cost for acquisitions exceeding $5,000. Depreciation and amortization of fixed assets, leasehold improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 15 years. OPIC expenses equipment items not meeting the capitalization criteria when purchased. The components of property and equipment as of September 30, 2014 are as follows:

	2014		
(in thousands)	Cost	Accumulated Depreciation	Net Book Value
With the Public:			
Property and Equipment			
Equipment	$ 3,049	$ 2,631	$ 418
Leasehold Improvements	12,020	10,372	1,648
Internal-Use Software	9,518	7,706	1,812
Total Property and Equipment, Net	$ 24,587	$ 20,709	$ 3,878

NOTE 8: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

Liabilities of Federal agencies are classified as liabilities covered or not covered by budgetary resources. Liabilities not covered by budgetary resources are liabilities for which congressional action is required before budgetary resources can be provided. OPIC's liabilities not covered by budgetary resources primarily consist of accrued unfunded annual leave and unearned revenue. As of September 30, 2014, liabilities not covered by budgetary resources were as follows:

(in thousands)	2014
Intragovernmental Liabilities Not Covered By Budgetary Resources	
Unfunded FECA Liability	$ 4
Total Intragovernmental Liabilities Not Covered By Budgetary Resources	4
Liabilities with the Public Not Covered By Budgetary Resources	
Unfunded Annual Leave	2,657
Unearned Revenue	5,040
Actuarial FECA Liability	11
Total Liabilities with the Public Not Covered By Budgetary Resources	7,708
Total Liabilities Not Covered by Budgetary Resources	7,712
Total Liabilities Covered by Budgetary Resources	3,540,385
Total Liabilities	$ 3,548,097

Liabilities covered by budgetary resources consist of liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority; (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; (3) spending authority from offsetting collections (credited to an appropriation or fund account); and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

NOTE 9: UNEARNED REVENUE

Unearned revenue consists of $77,645 in finance retainer fees and deferred working capital, $25,992 in insurance retainer fees and unearned insurance premiums, and $3,285 in rent incentives. OPIC may charge a retainer and other working capital fees in conjunction with each project. Working capital fees are maintained in non-budgetary financing funds. Facility fee collected in excess of $5,000 are amortized over the life of the project. Unearned insurance premiums are amortized over the coverage period.

NOTE 10: INSURANCE PROGRAM LIABILITIES

OPIC provides Political Risk Insurance for overseas investments of up to 20 years against three different risks: inconvertibility of currency, expropriation, and political violence. Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars. Inconvertibility insurance does not protect against devaluation of a country's currency. Expropriation coverage provides compensation for losses due to confiscation, nationalization, or other governmental actions that deprive investors of their fundamental rights in the investment. Insurance against political violence insures investors against losses caused by politically motivated acts of violence (war, revolution, insurrection, or civil strife, including terrorism and sabotage).

Under most OPIC insurance contracts, investors may obtain all three coverages, but claim payments may not exceed the single highest coverage amount. Claim payments are limited by the value of the investment and the amount of current coverage in force at the time of the loss and may be reduced by the insured's recoveries from other sources. In certain instances, OPIC's requirement to pay up to the single highest coverage amount may be reduced by stop-loss and risk-sharing agreements. Finally, losses on insurance claims may be reduced by recoveries by OPIC as subrogee of the insured's claim against the host government. Payments made under insurance contracts that result in recoverable assets are included in Accounts Receivable net of an allowance for uncollectible amounts.

In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims. As of September 30, 2014, the Insurance Program contingent liability is $34.4 million based on pending insurance claims and the occurrence of insurable events. Recoveries on insurance claims in the amount of $26.1 million were received by OPIC in the current year.

NOTE 11: OTHER LIABILITIES

OPIC's total other liabilities as of September 30, 2014, is as follows:

(in thousands)	2014 Non-Current Liabilities	2014 Current Liabilities	2014 Total Liabilities
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ 0	$ 122	$ 122
Unfunded FECA Liability	2	2	4
Total Intragovernmental	2	124	126
With the Public:			
Accounts Payable	0	2,367	2,367
Accrued Funded Payroll & Benefits	0	1,183	1,183
Accrued Unfunded Annual Leave	0	2,657	2,657
Liability for Deposit Funds	0	82	82
Actuarial FECA Liability	11	0	11
Total Liabilities With the Public	11	6,289	6,300
Total Other Liabilities	$ 13	$ 6,413	$ 6,426

NOTE 12: LEASES

OPIC leases commercial facilities under a 15 year operating lease agreement, as amended, which expires in June 2018. Under the terms of the lease, OPIC receives interest-bearing tenant improvement allowances for space refurbishment. The value of these incentives is deferred in the balance sheet and is amortized to reduce rent expense on a straight-line basis over the life of the lease. Rental expense for fiscal year 2014 was approximately $4.6 million. Future rental payments are as follows, with additional adjustments tied to the consumer price index:

(in thousands) Fiscal Year	Lease Payments
2015	$ 4,714
2016	4,808
2017	4,904
2018	3,732
2019	0
After 2019	0
Total Future Lease Payments	$ 18,158

NOTE 13: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

OPIC's Statements of Net Costs lists the costs and revenues associated with each of OPIC's lines of business, namely the Insurance and Finance programs. Intragovernmental costs include interest expense paid to the Treasury related to borrowings associated with the funding of credit reform programs and administrative costs paid to other government agencies. Intragovernmental exchange revenues represent interest earned on U.S. Treasury Marketable Securities and interest earned on credit reform financing account balances.

(in thousands)	2014
Insurance Program	
Intragovernmental Costs	$ 6,235
Public Costs	30,135
Total Insurance Program Costs	36,370
Intragovernmental Earned Revenue	(147,622)
Public Earned Revenue	(14,810)
Total Insurance Program Earned Revenue	(162,432)
Financing Program	
Intragovernmental Costs	80,557
Public Costs	(311,457)
Total Financing Program Costs	(230,900)
Intragovernmental Earned Revenue	(40,618)
Public Earned Revenue	(58,339)
Total Financing Program Earned Revenue	(98,957)
Net Cost of/(Income) from Operations	$ (455,919)

NOTE 14: BUDGETARY RESOURCES

Permanent Indefinite Appropriations

The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations from Treasury, as appropriate, to carry out all obligations resulting from the financing program. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to OPIC.

Section 235(c) of the Foreign Assistance Act of 1961 (FAA) established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor authority. All valid claims arising from insurance issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under insurance, and if OPIC exceeds its $100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA.

Borrowing Authority

OPIC is required to borrow from the U.S. Treasury's Bureau of the Fiscal Service to fund the unsubsidized portion of direct loan disbursements, and is authorized to borrow when funds are needed to disburse negative subsidy and pay claims in excess of the amount of subsidy and collections maintained in the nonbudgetary financing funds. At the end of fiscal year 2014, OPIC had $2,380 million in borrowing authority carried over to fund direct loans and pay future claims.

Apportionment Categories of Obligations Incurred

OPIC funds are apportioned in category A and B. Category A apportionments are restricted by time; category B apportionments are restricted by project. During fiscal year 2014, OPIC incurred $63 million that was apportioned in category A and $2,270 million that was apportioned in category B.

Undelivered Orders at the End of the Period

Undelivered Orders include loan and related subsidy obligations that have been issued but not disbursed and obligations for goods and services ordered that have not been received. OPIC reported $2,528 million of budgetary resources obligated for undelivered orders for the period ended September 30, 2014.

NOTE 15: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

(in thousands)	2014
Resources used to finance activities	
Obligations Incurred	$ 2,333,277
Spending Authority from offsetting collections and recoveries	(2,085,475)
Obligations net of offsetting collections and recoveries	247,802
Offsetting receipts	(842,302)
Net Obligations	(594,500)
Other Resources	
Transfers in/out Without Reimbursement	80,557
Imputed Financing Sources	1,073
Net Other Resources Used to Finance Activities	81,630
Total resources used to finance activities	(512,870)
Resources Used to Finance Items Not Part of the Net Cost of Operations	
Change in goods, services and benefits ordered but not yet received or provided	347,364
Resources that fund expenses recognized in prior periods	(175,346)
Credit program collections that increase liabilities for loan guarantees or allowances for subsidy	1,042,511
Resources that fund the acquisition of assets	(953,827)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	260,702
Components Requiring or Generating Resources in Future Periods	
Increase in annual leave liability	2,657
Upward/Downward reestimates of credit subsidy expense	(243,119)
Insurance Contingent Liability	34,428
Total Components Requiring or Generating Resources in Future Periods	(206,034)
Costs that do not require resources in current period:	
Depreciation and amortization	1,765
Bad Debt Expense	517
Total Costs that do not require resources in the current period	2,282
Net Cost of Operations	$ (455,919)

OVERSEAS PRIVATE INVESTMENT CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

COMBINED STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT
For the year ended September 30, 2014

	2014		
(in thousands)	**Insurance Budgetary**	**Financing Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources			
Unobligated Balance Brought Forward, October 1	$ 5,118,461	$ 45,763	$ 857,615
Recoveries of Prior Year Unpaid Obligations	256,529	10,078	453,529
Other Changes in Unobligated Balance	10,850	(8,957)	(505,809)
Unobligated Balance from Prior Year Budget Authority, Net	5,385,840	46,884	805,335
Appropriations	0	638,508	0
Borrowing Authority	0	0	955,039
Spending Authority from Offsetting Collections	165,415	64,916	1,135,008
Total Budgetary Resources	$ 5,551,255	$ 750,308	$ 2,895,382
Status of Budgetary Resources			
Obligations Incurred	$ (71,199)	$ (682,389)	$ (1,579,689)
Unobligated Balance, End of Year			
Apportioned	(6,699)	(22,398)	(6,380)
Unapportioned	(5,473,357)	(45,521)	(1,309,313)
Total Unobligated Balance, End of Year	(5,480,056)	(67,919)	(1,315,693)
Total Budgetary Resources	$ (5,551,255)	$ (750,308)	$ (2,895,382)
Change in Obligated Balance			
Unpaid Obligations, Brought Forward, October 1	$ (284,426)	$ (77,384)	$ (2,522,146)
Obligations Incurred	(71,200)	(682,389)	(1,579,689)
Gross Outlays	61,902	690,882	1,212,130
Recoveries of Prior Year Unpaid Obligations	256,529	10,078	453,529
Unpaid Obligations, End of Year	(37,195)	(58,813)	(2,436,176)
Uncollected Customer Payments, Federal Sources Brought Forward, October 1	42,899	0	77,383
Change in Uncollected Customer Payments from Federal Sources	1,555	0	(7,463)
Uncollected Customer Payments from Federal Sources, End of Year	44,454	0	69,920
Memorandum (non-add) entry			
Obligated Balance, Start of Year	(241,527)	(77,384)	(2,444,763)
Obligated Balance, End of Year (Net)	$ 7,259	$ (58,813)	$ (2,366,256)
Budget Authority and Outlays (Net)			
Budget Authority, Gross	$ 165,415	$ 703,424	$ 2,090,046
Actual Offsetting Collections	(228,776)	0	(1,157,283)
Change in Uncollected Customer Payments	(1,555)	0	7,463
Budget Authority (Net)	$ (64,916)	$ 703,424	$ 940,226
Outlays, Gross	$ (61,902)	$ (690,882)	$ (1,212,129)
Actual Offsetting Collections	228,776	0	1,157,283
Distributed Offsetting Receipts	0	0	842,302
Agency Outlays, Net	$ 166,874	$ (690,882)	$ 787,456

RISK ASSUMED INFORMATION

OPIC's measure of risk assumed on insurance claims is equitable to the current exposure for all policies in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 2014 is $2.0 billion. OPIC's broader measure of exposure is limited to "Maximum Contingent Liability" as defined in legislation as $3.1 billion at September 30, 2014. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The OPIC President and CEO's Annual Assurance Statement follows below. To support this statement, and to meet the requirements of applicable law and OMB Guidance in Circular A-123, OPIC conducts assessments of its programs and systems.

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, USA

OFFICE OF THE
PRESIDENT

Statement on Internal Accounting and Administrative Control System
By the President and Chief Executive Officer of the
Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act* (FMFIA).

Based on the assessments OPIC conducted, the agency expresses an unqualified statement of assurance that, as of June 30, 2014, its internal controls over the effectiveness and efficiency of operations were in compliance with the provisions of Section 2 (internal accounting and administrative controls) of FMFIA and the Office of Management and Budget's Circular A-123, *Management Responsibility for Internal Control*. OPIC can also report that it is in substantial compliance with the requirements of Section 4 of FMFIA. Overall, the agency's internal controls were operating effectively and no material weaknesses were found in their design or operation.

Elizabeth L. Littlefield
President and Chief Executive Officer

INTERNAL CONTROLS

During FY 2014, OPIC contracted for an evaluation of internal controls at the entity level in accordance with the guidance issued under Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control, Internal Control Over Financial Reporting. Entity level controls are those processes, procedures, activities, or mechanisms that have a significant effect throughout the organization but are often less tangible than process and transaction level controls.

Entity level control gaps are defined as instances where an entity level control activity could not be identified to address an internal control principle, where the control identified would not address the stated objective, or where the control could not be supported through validation test steps. No entity level control gaps were noted in this assessment and no recommendations were made.

During FY 2014, OPIC performed its internal control assessment over financial reporting using the risk-based testing approach that was adopted by OPIC's Board of Directors Audit Committee. Under this approach, six of the agency's twelve key business processes identified by management were tested using the guidelines in OMB's Circular A-123, Management's Responsibility for Internal Control, Internal Control Over Financial Reporting. Risk was assessed based on both quantitative as well as qualitative factors, including financial materiality, mission orientation, and the complexity and frequency of transactions. OPIC's financial materiality threshold for testing was established using the criteria in the Government Accountability Office's, Financial Audit Manual (FAM).

The assessment was performed internally with oversight and accountability of the program provided by the agency's Board Audit Committee and Chief Financial Officer. Nearly one hundred twenty-two key controls were tested and over three hundred samples were reviewed in the following business processes:

- Direct Loans;
- Investment Guarantees;
- Investment Funds;
- Insurance;
- Financial Reporting; and
- Purchases and Payables.

No material weaknesses were identified, and the results of this year's assessment, combined with management's role in daily internal controls, allows the agency to assert that there is reasonable assurance that overall, controls were properly designed and operating effectively during the year. However, the results of the assessment identified opportunities for improvement and greater efficiency in the areas of documentation of control occurrence and standard operating procedures.

LEGAL COMPLIANCE

Anti-Deficiency Act

OPIC maintains compliance with the Anti-Deficiency Act (codified as amended in 31 U.S.C. §§ 1341, 1342, 1351, 1517) through several tiers of process and system controls to maintain funds control. Apportionments are developed in consultation with OMB, designed to provide OPIC's funds consistent with OPIC's authorities in appropriations and authorization legislation.

Once funds are apportioned, OPIC's Financial Management unit establishes funds controls in the Oracle financial system. All obligations are centralized in the Oracle system, and through those processes, OPIC maintains control of its funding.

Federal Credit Reform Act of 1990

The Credit Reform Act (Public Law 101-508) establishes the accounting, budgeting, analysis, and display of loans and guarantees. Credit Reform is therefore central to the budgetary and financial operation of the Corporation and its operations with Treasury.

The Corporation maintains several key processes and platforms in support of its Credit Reform Implementation. The Corporation maintains data and modeling capabilities for each stage of the life cycle of Credit Reform implementation from budgetary formulation, to obligation and throughout actual execution. Lending records and operations are maintained in an Oracle extension with direct integration to Oracle Government Financials. In Fiscal Year 2014, the Corporation began implementation of new risk tools and enhanced re-estimates, which will provide higher resolution data for management of the portfolio and reporting to Treasury and OMB.

REPORT ON IMPROPER PAYMENTS

In accordance with Office of Management and Budget (OMB) guidance on the implementation of the Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012, OPIC's review of its programs and activities confirms that the agency has adequate internal controls in place over program and administrative disbursements to ensure that the risk of improper payments is extremely low.

OPIC has two principal programs that result in disbursements: the finance program and the political risk insurance program. OPIC's finance program consists of direct loans in which OPIC disburses funds to a borrower, and investment guaranties of third party disbursements. OPIC also disburses funds in the event of investment guaranty or political risk insurance claim payments and for general administrative expenses.

OPIC has established internal controls over each form of outgoing payments to prevent improper payments or to detect them in a timely manner. In FY 2014, OPIC's direct loan disbursements and approvals for third party disbursements under OPIC guaranties averaged 19 transactions per month. Each disbursement goes through a significant clearance process and projects with a Risk Rating of Substandard or worse receive additional review by the Associate General Counsel for Special Assets. Clearances for disbursements are received subsequent to due diligence, statutory review, and management approval of the project.

Based on the number of OPIC programs, the relatively small number of annual disbursements, the multiple clearances required for each disbursement, and the internal controls in place for all disbursements, OPIC has concluded that its payment processes are not susceptible to significant improper payments risks.