Financial Statements and Notes

The U.S. Small Business Administration prepares its financial statements as a critical aspect of ensuring the accountability and stewardship for the public resources entrusted to the SBA. Preparation of these statements is also an important part of SBA's financial management goal of providing accurate and reliable information that may be used to assess performance and allocate resources.

SBA's management is responsible for the accuracy and propriety of the information contained in the principal financial statements and the quality of internal controls. The statements are, in addition to other financial reports, used to monitor and control budgetary resources. The SBA prepares these financial statements from its books and records in accordance with the accounting principles generally accepted in the United States for federal entities and the formats prescribed by the Office of Management and Budget.

The **Consolidated Balance Sheet** summarizes the assets, liabilities and net position by major category as of the reporting date. Intragovernmental assets and liabilities resulting from transactions between federal agencies are presented separately from assets and liabilities from transactions with the public.

The **Consolidated Statement of Net Cost** shows, by strategic goal, the net cost of operations for the reporting period. Net cost of operations consists of full program costs incurred by the SBA less the exchange revenues earned by those programs.

The **Consolidated Statement of Changes in Net Position** presents SBA's beginning and ending net position by two components - Cumulative Results of Operations and Unexpended Appropriations. It summarizes the change in net position by major transaction category. The ending balances of both components of net position are also reported on the Balance Sheet.

The **Combined Statement of Budgetary Resources** provides information about funding and availability of budgetary resources and the status of those resources at the end of the reporting period. Data on the Combined Statement of Budgetary Resources is consistent with information reflected on the Report on Budget Execution and Budgetary Resources (SF 133), with the one exception of offsetting receipts. Offsetting receipts offset budget authority and outlays at the agency level in the Budget of the United States Government, but are not reflected in the SF 133. The SBA included offsetting receipts in this statement for the purpose of reconciling outlay information presented to the Budget of the United States Government.

The reconciliation previously included in the former **Consolidated Statement of Financing** between budgetary obligations and the net cost of operations is now included in Note 16 to the financial statements. This was necessary to comply with a change in federal financial reporting requirements.

The **Required Supplementary Information** presents a Combining Statement of Budgetary Resources report by principal functional area.

The **Required Supplementary Stewardship Information** provides information on SBA's investment in human capital.

U. S. Small Business Administration

Consolidated Balance Sheet

as of September 30, 2007 and 2006

(Dollars in Thousands)

	2007	2006
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 6,095,443	$ 6,653,612
Total Intragovernmental Assets	6,095,443	6,653,612
Assets - Public and Other		
Cash (Note 3)	17,102	726
Accounts Receivable (Note 5)	43,478	54,854
Credit Program Receivables and Related Foreclosed Property, Net (Note 6)	8,337,462	6,382,126
Equipment and Internal Use Software, Net (Note 7)	1,504	7,355
Total Assets - Public and Other	8,399,546	6,445,061
Total Assets	**$ 14,494,989**	**$ 13,098,673**
LIABILITIES		
Intragovernmental Liabilities		
Interest Payable	$ 2,801	$ 7,167
Debt (Note 9)	11,383,188	9,330,382
Net Assets of Liquidating Funds Due to Treasury (Note 10)	136,273	173,687
Downward Reestimate Payable to Treasury (Note 1, Note 13)	645,826	704,506
Other (Note 8, Note 11)	20,054	19,326
Total Intragovernmental Liabilities	12,188,142	10,235,068
Other Liabilities - Public		
Accounts Payable (Note 1)	30,249	24,819
Accrued Grant Liability (Note 1)	50,000	53,050
Liability for Loan Guaranties (Note 4, Note 6)	1,737,860	1,630,821
Federal Employee Compensation Act Actuarial Liability (Note 8)	26,321	27,045
Surety Bond Guarantee Program Future Claims (Note 8)	23,588	22,119
Other (Note 8, Note 11)	35,961	40,250
Total Other Liabilities - Public	1,903,979	1,798,104
Total Liabilities	**14,092,121**	**12,033,172**
NET POSITION		
Unexpended Appropriations (Note 1)	974,211	1,839,288
Cumulative Results of Operations (Note 1)	(571,343)	(773,787)
Total Net Position	**402,868**	**1,065,501**
Total Liabilities and Net Position	**$ 14,494,989**	**$ 13,098,673**

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Consolidated Statement of Net Cost

For the years ended September 30, 2007 and 2006

(Dollars in Thousands)

	2007	2006
STRATEGIC GOAL 1:		
Improve Economic Environment for Small Business		
Gross Cost	$ 53,021	$ 42,874
Net Cost of Strategic Goal 1	**53,021**	**42,874**
STRATEGIC GOAL 2:		
Increase Small Business Success by Bridging Competitive Opportunity Gaps		
Gross Cost	505,944	166,964
Less: Earned Revenue	192,054	196,594
Net Cost of Strategic Goal 2	**313,890**	**(29,630)**
STRATEGIC GOAL 3:		
Restore Homes and Businesses Affected by Disaster		
Gross Cost	1,152,511	1,840,266
Less: Earned Revenue	526,218	450,716
Net Cost of Strategic Goal 3	**626,293**	**1,389,550**
COST NOT ASSIGNED TO STRATEGIC GOALS		
Gross Cost	67,386	68,925
Net Cost Not Assigned to Strategic Goals	**67,386**	**68,925**
Net Cost of Operations	**$ 1,060,590**	**$ 1,471,719**

Note 12, Note 14

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Consolidated Statement of Changes in Net Position

For the years ended September 30, 2007 and 2006

(Dollars in Thousands)

	2007	2006
Beginning Cumulative Results of Operations	**$ (773,787)**	**$ (492,482)**
Budgetary Financing Sources		
Appropriations Used	2,122,708	1,963,262
Donations of Cash and Cash Equivalents	12	70
Transfers-Out Without Reimbursement	(150,000)	
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others	21,091	16,530
Other - Adjustment Rescissions	(6,192)	
Other - Current Year Liquidating Equity Activity	(9,543)	(30,301)
Other - Non-entity Activity	(715,042)	(759,147)
Total Financing Sources	**1,263,034**	**1,190,414**
Less: Net Cost of Operations	**1,060,590**	**1,471,719**
Ending Cumulative Results of Operations	**$ (571,343)**	**$ (773,787)**
Beginning Unexpended Appropriations	**$ 1,839,288**	**$ 1,110,131**
Budgetary Financing Sources		
Appropriations Received	1,314,748	2,062,768
Appropriations Transferred In		712,000
Rescissions	(7,354)	(13,991)
Adjustment - Cancelled Authority	(21,236)	(35,103)
Other Adjustments	(28,527)	(33,255)
Appropriations Used	(2,122,708)	(1,963,262)
Total Budgetary Financing Sources	**(865,077)**	**729,157**
Ending Unexpended Appropriations	**$ 974,211**	**$ 1,839,288**
Ending Net Position	**$ 402,868**	**$ 1,065,501**

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Combined Statement of Budgetary Resources

For the year ended September 30, 2007

(Dollars in Thousands)

	Budgetary	Nonbudgetary Financing	Total
BUDGETARY RESOURCES			
Unobligated Balance			
Brought Forward October 1	$ 859,670	$ 6,811,358	$ 7,671,028
Recoveries of Prior Year Obligations	428,368	2,756,956	3,185,324
Budget Authority			
Appropriations Received	1,314,746		1,314,746
Borrowing Authority		2,966,102	2,966,102
Spending Authority from Offsetting Collections			
Earned	462,531	4,263,659	4,726,190
Change in Unfilled Customer Orders	123,320	(616,331)	(493,011)
Total Budget Authority	1,900,597	6,613,430	8,514,027
Nonexpenditure Transfers, Net			
Budget Authority	(150,000)		(150,000)
Permanently Not Available	(119,786)	(7,115,706)	(7,235,492)
Total Budgetary Resources	**$ 2,918,849**	**$ 9,066,038**	**$ 11,984,887**
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred, Net			
Direct	$ 1,346,019	$ 4,387,658	$ 5,733,677
Reimbursable	950,066		950,066
Total Obligations Incurred, Net	2,296,085	4,387,658	6,683,743
Unobligated Balances, Available	545,328	1,585,198	2,130,526
Unobligated Balances, Not Available	77,436	3,093,182	3,170,618
Total Status of Budgetary Resources	**$ 2,918,849**	**$ 9,066,038**	**$ 11,984,887**
CHANGE IN OBLIGATED BALANCES			
Obligated Balance Brought Forward, Net October 1			
Unpaid Obligations Brought Forward	$ 1,168,079	$ 5,440,067	$ 6,608,146
Uncollected Customer Payments from Federal Sources Brought Forward		(793,663)	(793,663)
Total Obligated Balance Brought Forward, Net	1,168,079	4,646,404	5,814,483
Obligations Incurred	2,296,085	4,387,658	6,683,743
Gross Outlays	(2,534,616)	(5,980,622)	(8,515,238)
Recoveries of Prior Year Unpaid Obligations	(428,368)	(2,756,956)	(3,185,324)
Change in Uncollected Customer Payments from Federal Sources		616,331	616,331
Obligated Balance, Net, End of Period			
Unpaid Obligations	501,180	1,090,147	1,591,327
Uncollected Customer Payments from Federal Sources		(177,332)	(177,332)
Total Obligated Balance, Net, End of Period	**$ 501,180**	**$ 912,815**	**$ 1,413,995**
NET OUTLAYS			
Gross Outlays	2,534,616	5,980,622	8,515,238
Offsetting Collections	(585,851)	(4,263,659)	(4,849,510)
Net Outlays Before Offsetting Receipts	1,948,765	1,716,963	3,665,728
Offsetting Receipts	(106)	(773,723)	(773,829)
Net Outlays	**$ 1,948,659**	**$ 943,240**	**$ 2,891,899**

Note 15

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Combined Statement of Budgetary Resources

For the year ended September 30, 2006

(Dollars in Thousands)

	Budgetary	Nonbudgetary Financing	Total
BUDGETARY RESOURCES			
Unobligated Balance			
Brought Forward October 1	$ 974,337	$ 5,746,977	$ 6,721,314
Recoveries of Prior Year Obligations	55,671	208,751	264,422
Budget Authority			
Appropriations Received	2,062,768		2,062,768
Borrowing Authority		12,089,779	12,089,779
Spending Authority from Offsetting Collections			
Earned	652,668	3,449,297	4,101,965
Change in Unfilled Customer Orders	(262,296)	716,641	454,345
Total Budget Authority	2,453,140	16,255,717	18,708,857
Nonexpenditure Transfers, Net			
Budget Authority	712,000		712,000
Permanently Not Available	(205,413)	(3,649,798)	(3,855,211)
Total Budgetary Resources	**$ 3,989,735**	**$ 18,561,647**	**$ 22,551,382**
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred, Net			
Direct	$ 2,198,165	$ 11,750,289	$ 13,948,454
Reimbursable	931,900		931,900
Total Obligations Incurred, Net	3,130,065	11,750,289	14,880,354
Unobligated Balances, Available	735,907	5,372,660	6,108,567
Unobligated Balances, Not Available	123,763	1,438,698	1,562,461
Total Status of Budgetary Resources	**$ 3,989,735**	**$ 18,561,647**	**$ 22,551,382**
CHANGE IN OBLIGATED BALANCES			
Obligated Balance Brought Forward, Net October 1			
Unpaid Obligations Brought Forward	$ 394,382	$ 519,423	$ 913,805
Uncollected Customer Payments from Federal Sources Brought Forward		(77,023)	(77,023)
Total Obligated Balance Brought Forward, Net	394,382	442,400	836,782
Obligations Incurred	3,130,065	11,750,289	14,880,354
Gross Outlays	(2,300,697)	(6,620,893)	(8,921,590)
Recoveries of Prior Year Unpaid Obligations	(55,671)	(208,751)	(264,422)
Change in Uncollected Customer Payments from Federal Sources		(716,641)	(716,641)
Obligated Balance, Net, End of Period			
Unpaid Obligations	1,168,079	5,440,068	6,608,147
Uncollected Customer Payments from Federal Sources		(793,664)	(793,664)
Total Obligated Balance, Net, End of Period	**$ 1,168,079**	**$ 4,646,404**	**$ 5,814,483**
NET OUTLAYS			
Gross Outlays	2,300,697	6,620,893	8,921,590
Offsetting Collections	(390,372)	(3,449,297)	(3,839,669)
Net Outlays Before Offsetting Receipts	1,910,325	3,171,596	5,081,921
Offsetting Receipts	(88)	(1,005,287)	(1,005,375)
Net Outlays	**$ 1,910,237**	**$ 2,166,309**	**$ 4,076,546**

Note 15

The accompanying notes are an integral part of these statements.

Note 1. Significant Accounting Policies

(Dollars in Thousands, except as noted)

Reporting Entity

The Small Business Act of 1953 created the Small Business Administration as an independent federal agency. SBA's mission is to maintain and strengthen the nation's economy by aiding, counseling, assisting and protecting the interests of small businesses and to help businesses and families recover from disasters. The SBA operates through the execution of a congressionally approved budget that funds its programs.

Basis of Accounting and Presentation

The SBA prepares financial statements to report its financial position and results of its operations as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements are prepared from the Agency's books and records in accordance with generally accepted accounting principles in the United States of America for federal agencies and the formats prescribed by the Office of Management and Budget. The statements are in addition to the other financial reports that are used to monitor and control budgetary resources. As a federal agency, the SBA cannot incur obligations without authority from the Congress and an apportionment by the Office of Management and Budget.

These financial statements reflect transactions recorded on both a proprietary accrual accounting basis and a budgetary obligation basis, in accordance with concepts and guidance provided by the OMB, the Federal Accounting Standards Advisory Board, and the U.S. Department of the Treasury. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to receipt or payment of cash. Budgetary accounting recognizes the legal obligation or restriction of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of federal funds.

Use of Estimates

SBA's management makes assumptions and estimates to prepare the financial statements, based upon the facts that exist when the statements are prepared. Actual results may differ from those estimates and the differences may be significant. The most significant differences between actual results and SBA's estimates may occur in the valuation of credit program receivables under the Federal Credit Reform Act of 1990 guidelines. The SBA recognizes the sensitivity of credit reform modeling to slight changes in some model assumptions and uses continual review of model factors, statistical modeling and annual reestimates to reflect the most accurate cost of the credit programs to the U.S. government.

Budgets and Budgetary Accounting for Loan Programs

SBA's loan disbursements are financed by appropriations for long-term loan subsidy cost and borrowings from the U. S. Department of the Treasury for the remaining non-subsidized portion of the loans. The Congress may provide one year, multi-year or no year appropriations 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 the Treasury, is repaid from collections of loan fees, repayments and default recoveries. The Congress limits the dollar amount of obligations that can be made for direct loans and loan guaranties in its annual appropriation bill.

A permanent indefinite appropriation is available to finance 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 the Treasury and are unavailable to the SBA. As required by the Federal Credit Reform Act of 1990 (FCRA), the SBA uses budgetary "program accounts" to account for appropriations 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 SBA's program accounts. Financing accounts are used to account for the Treasury borrowings and the collection of loan fees, repayments, default recoveries and disbursement of loans.

Accounts Payable

Accounts Payable are amounts due to public entities that will be liquidated during the next operating cycle. Included in the liability are payables to lender banks for the bank share of loan collections and to vendors for goods and services.

Accrued Grant Liability

Disbursements of grant funds are recognized as expenses at the time of disbursement. However, some grant recipients incur expenditures prior to initiating a request for disbursement based on the nature of the expenditures. The SBA accrues a liability for expenditures incurred by grantees prior to receiving grant funds for the expenditures. The amount to be accrued is determined through an analysis of historic grant expenditures. The Small Business Development Program and several other grant programs are subjected to this treatment.

Contingencies

The SBA is a party in various administrative proceedings, legal actions, environmental suits and claims. In the opinion of SBA's management and legal counsel, the ultimate resolution of these proceedings, actions, suits and claims will not materially affect the financial position or results of SBA's operations. There was no loss estimated as being reasonably possible at September 30, 2007 and at September 30, 2006.

Cumulative Results of Operations

Cumulative Results of Operations, presented on the Balance Sheet and on the Statement of Changes in Net Position, is the accumulated difference between expenditures and financing sources since the inception of the Agency. Unfunded expenses do not yet have a financing source and thus increase the loss the SBA reports as Cumulative Results of Operations. The largest category of unfunded expenses at the SBA is year-end reestimates which are funded in the following year. The majority of the Cumulative Results of Operations reported results from these unfunded reestimates.

Unexpended Appropriations

Unexpended Appropriations is the portion of SBA's appropriations received which are either undelivered or unobligated. Delivered orders result in expended appropriations and reduce the total reported as Unexpended Appropriations. Undelivered orders are the amount of orders of goods or services which have not been actually or constructively received.

Employee Benefits

Leave

A liability for 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

SBA employees may choose to participate in the contributory Federal Employees Health Benefit and the Federal Employees Group Life Insurance Programs. The SBA matches a portion of the employee contributions to each program. Matching contributions are recognized as current operating expenses.

Employee Pension Benefits

SBA 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. The SBA'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 on the Consolidated Statement of Net Cost as current operating expenses.

Federal employee benefits also include the Thrift Savings Plan. For FERS employees the SBA matches employee contributions to the plan, subject to limitations. The matching contributions are recognized as current operating expenses.

Imputed Financing Costs

The SBA recognizes the full cost of providing all employee and future retirement benefits, including life and health insurance, at the time employee services are rendered. Eligible retired SBA employees can continue to participate in health and life insurance plans. The cost 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 FICA, and by the Office of Personnel Management which administers the retirement programs for SBA employees.

The OPM calculates imputed costs as the actuarial present value of future benefits attributed to services rendered by covered employees and eligible retired SBA employees during the accounting period, net of the amounts contributed by employees, retirees, and the Agency. The SBA recognizes the imputed costs as current operating expense in the Statement of Net Cost and as a part of net cost funded by an imputed financing source included in determining SBA's 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. Labor pays valid claims as they occur, which are billed to the SBA annually and funded and paid approximately 15 months later. Labor also calculates an estimated actuarial liability for future benefits based upon historical experience and other economic variables. Projected annual benefit payments are then discounted to present value using the forecasted interest rates for 10-year Treasury notes and bonds published by the OMB in its economic assumptions for the federal budget. The SBA recognizes a current unfunded cost for the actual claims paid and the change in the FECA actuarial liability each year.

Note 2. Fund Balance with Treasury

The Department of the Treasury processes cash receipts and disbursements on SBA's behalf to pay liabilities and finance loan program costs. SBA's cash receipts are deposited to accounts at the Treasury. SBA's fund balances with the Treasury are available to make expenditures, except for expired year amounts. Separate records are maintained for SBA's program, financing, liquidating and other accounts. Fund balances at the Treasury include expired year amounts, which are unavailable for obligation, as well as amounts currently available for new obligations.

(Dollars in Thousands)

AS OF SEPTEMBER 30,		**2007**		**2006**
Appropriated Funds	$	1,043,015	$	1,919,252
Financing Funds		4,971,495		4,625,848
Liquidating Funds		53,592		86,593
Revolving Fund		27,027		21,533
Trust Fund		310		369
Total Entity Fund Balance with Treasury		**6,095,439**		**6,653,595**
Non-Entity Fund Balance		**4**		**17**
Total Fund Balance with Treasury	**$**	**6,095,443**	**$**	**6,653,612**
Status of Fund Balance with Treasury				
Unobligated Balance Available	$	2,130,526	$	6,108,567
Unobligated Balance Unavailable		3,170,618		1,562,461
Obligated Balance Not Yet Disbursed		1,413,995		5,814,483
Borrowing Authority Not Converted to Funds		(619,700)		(6,831,916)
Nonbudgetary		4		17
Total Fund Balance with Treasury	**$**	**6,095,443**	**$**	**6,653,612**

Unobligated balances become available when apportioned by the OMB for obligation in the current fiscal year. Obligated balances not yet disbursed include unpaid obligations offset by uncollected customer payments from other Federal Government accounts. The unobligated and obligated balances are reflected on the Statement of Budgetary Resources.

Note 3. Cash

The SBA field offices deposit collections from borrowers in Treasury General Accounts at financial institutions for credit to the SBA's account at Treasury. Collections temporarily held by SBA offices pending deposit at the end of the fiscal year are recorded as Undeposited Collections – Cash in Transit and total $17.1 million and $0.7 million at September 30, 2007 and 2006. The increase this year is due to increased receipts for Gulf Coast hurricane loans.

Note 4. Master Reserve Fund

When Congress enacted the Small Business Secondary Market Improvement Act of 1984, it authorized the SBA to guarantee the timely payment of principal and interest on trust certificates representing an ownership interest in a pool of the guarantied portions of the SBA 7(a) loans. The SBA provides the guaranty through the Secondary Market Guaranty program. The program encompassed $14.1 billion and $14.6 billion of outstanding trust certificate principal at September 30, 2007 and 2006. The guaranty of timely payment on trust certificates is distinct from the guaranty against default on the underlying 7(a) loans. The SBA established the Master Reserve Fund to facilitate the operation of the SMG program. The MRF is an account through which all payments from the underlying 7(a) loans and remittances to trust certificate investors flow.

The cost of the SMG program depends on several factors, including the difference in the maturity terms of the trust certificates and underlying 7(a) loans, the cash flow performance of the underlying loans and the spread between trust certificate coupon rates and yields available on Treasury investment instruments. Estimates for the cash flow performance of the 7(a) loans underlying the SMG pools are derived directly from the 7(a) subsidy model.

In the SMG program, each trust certificate is typically backed by loans with a range of maturity terms. Because the trust certificate takes on the maturity of the longest-term underlying loan, it amortizes more slowly than most of its underlying loans. As a result, loan payments that will ultimately be paid out to the trust certificate holders temporarily accumulate in the MRF. Typically, the investment rate earned on these accumulated funds is less than the coupon rate that must be paid to trust certificate holders; this negative spread is the primary source of the cost of the SMG program. The magnitude of the cost depends on how long the temporary accumulation of funds in the MRF persists and on the size of the spread. The costs are offset by interest earned on loan payments and prepayments that are temporarily held in the MRF before being disbursed to certificate holders.

The cost of the SMG program's timely payment is being accounted for under the requirements of the Federal Credit Reform Act of 1990. Also, the cost of the SMG program is reestimated annually and included in SBA's financial statements. The SBA changed some aspects of the program beginning in FY 2005 to achieve a zero subsidy cost for the SMG. Changes included expediting the pass-through of partial prepayments and no longer retaining in the MRF the principal portion of the first payment on newly issued trust certificates. Both of these changes served to reduce the accumulation of funds in the MRF, where they would earn a lower investment return than the coupon rate payable to trust certificate holders. See Note 6I for a further discussion of this topic.

The MRF balance is invested entirely in Treasury securities and repurchase agreements backed by Treasury securities. MRF investments are managed by SBA's fiscal transfer agent, with oversight provided by SBA's MRF Investment Committee. MRF assets are fiduciary in nature and are held outside of the Treasury. In accordance with current federal reporting standards, they do not appear in the principal financial statements of the SBA.

The composition of the MRF and a reconciliation of the changes in MRF assets are included in the following table:

(Dollars in Thousands)

AS OF SEPTEMBER 30,	**2007**	**2006**
Short Term Securities		
Money Market Funds	$ 52,975	$ 40,954
Treasury Bills	99,805	154,023
Repurchase Agreements	395,000	337,876
Total Short Term Securities	**547,780**	**532,853**
Long Term Securities		
Treasury Bonds		42,763
Treasury Notes	1,317,664	1,215,920
Net Interest	16,489	14,276
Total Long Term Securities	**1,334,153**	**1,272,959**
Net Assets	**$ 1,881,933**	**$ 1,805,812**

RECONCILATION OF MRF ASSETS

FOR THE YEARS ENDING SEPTEMBER 30,	**2007**	**2006**
Beginning Net Assets	**$ 1,805,812**	**$ 1,632,664**
Receipts		
Loan Payments from Borrowers	1,765,357	1,734,543
Prepayments and Default Payments	3,583,241	3,439,172
Earned Income	81,114	79,972
Net Realized Gain (Loss)	(11,341)	(12,646)
Total Receipts	**5,418,371**	**5,241,041**
Less Disbursements		
Payments to Investors	5,339,331	5,065,197
Expenses	2,919	2,696
Total Disbursements	**5,342,250**	**5,067,893**
Ending Net Assets	**$ 1,881,933**	**$ 1,805,812**

Note 5. Accounts Receivable

Accounts receivable consists of amounts owed to the SBA by the public. Amounts due from the public are presented net of an allowance for uncollectible Surety Bond Guarantee Program receivables. This allowance is based on an analysis of the aging of the delinquent outstanding balances. The uncollectible or unrecoverable amounts for Guaranty Fees Receivable and Refunds are not significant and no allowance is provided.

(Dollars in Thousands)

AS OF SEPTEMBER 30,	2007	2006
Public		
Guaranty Fees Receivable	$ 32,715	$ 36,711
Refunds	3,718	4,088
Other	11,045	14,055
Total Public	**47,478**	**54,854**
Allowance For Loss	(4,000)	
Net Public	**$ 43,478**	**$ 54,854**

Note 6. Credit Program Receivables and Liability for Loan Guaranties

A. Loan Program Descriptions and Cost Determinations

Loan Program Descriptions

The SBA administers guarantied and direct loan programs that help small businesses obtain financing, and a direct loan program that assists homeowners, renters and businesses to recover from disasters.

Major Direct Loan and Loan Guaranty Programs

Program group	Program type	Program
Disaster	Direct	Disaster Assistance Loans
Business	Direct	7(m) Microloan
Business	Guarantied	7(a) Loan Guaranty
Business	Guarantied	Section 504 Certified Development Company
Business	Guarantied	Small Business Investment Company Debenture
Business	Guarantied	Small Business Investment Company Participating Securities
Business	Guarantied	Secondary Market Guaranty

SBA's business loan programs include its flagship 7(a) Loan Guaranty Program in which the SBA guarantees up to 90 percent of the principal amount of loans made by banks and other lending institutions to small businesses not able to obtain credit elsewhere. The Section 504 Certified Development Company Program guarantees principal and interest payments on debentures issued by development companies that make small business loans secured primarily by real estate. The Small Business Investment Company Debentures and Participating Securities Programs guarantee principal and interest payments on securities issued by investment capital firms, which in turn make investments in small businesses. The 7(m) Microloan Program provides direct loans to nonprofit intermediaries, which use these funds to make loans up to $35,000 to eligible small businesses. See Note 4 for further discussion of the Secondary Market Guaranty.

SBA's Disaster Assistance Loan Program makes direct loans to disaster victims under four categories: (1) loans for homes and personal property, (2) physical disaster loans to businesses of any size, (3) economic injury loans to small businesses without credit available elsewhere and (4) economic injury loans to eligible businesses affected by essential employees called up to active duty in the military reserves. The maximum interest rate is 4 percent for applicants without credit available elsewhere and 8 percent for applicants with credit available elsewhere.

Credit Program Receivables and Liabilities for Loan Guaranties

The Federal Credit Reform Act of 1990 governs direct loans made after FY 1991. FCRA loans are valued at the present value of expected future cash flows, discounted at the interest rate of marketable Treasury securities. The subsidy allowance account represents the difference between the outstanding loans receivables 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.

The FCRA also governs loan guaranties made after FY 1991. A liability for outstanding guaranties is included on SBA's balance sheet. The liability is determined by calculating the net present value of expected future cash flows for outstanding guaranties in a manner similar to that used to determine the subsidy allowance for direct loans. Guarantied loans purchased by the SBA upon borrower default are established as loan receivables and are valued in a similar manner as direct loans under the FCRA.

Direct loans made prior to FCRA are recorded at cost with an allowance for uncollectible amounts calculated using historical loss experience. For loan guaranties made prior to FCRA, a liability for expected future losses on outstanding guaranties is established based on historical experience. Guarantied loans purchased upon borrower default are established as loan receivables with an allowance for losses based on historical loss experience.

The SBA advances payments semiannually to the Federal Financing Bank for loans guarantied under Section 503 of the Small Business Act. The advances are liquidated by receipt of the installment payments on loans made by state and local development companies. To the extent that those installments may not repay advances, balances from development companies that remain collectible are reported as credit program receivables.

Advances are similarly made to honor SBA's timely payment requirement of principal and interest due for debentures in SBA's Section 504 Certified Development Company and Small Business Investment Company Programs. These advances are also reported as credit program receivables.

Subsidy Funding under Federal Credit Reform

The FCRA requires that the credit subsidy costs of direct loans and loan guaranties 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 guarantied 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 approved is termed the subsidy rate. The SBA receives appropriations annually to fund its credit programs based on that subsidy rate applied to the credit program level approved by the Congress. Then, when loans are disbursed, the SBA records subsidy expense. In accordance with the FCRA, subsidy costs are reestimated annually.

Interest Receivable

Interest receivable is comprised of accrued interest on loans receivable and purchased interest related to defaulted guarantied loans. Interest income is accrued at the contractual rate on the outstanding principal amount and is reduced by the amount of interest income accrued on non-performing loans in excess of 90 days delinquent. Purchased interest is carried at cost. A 100 percent loss allowance is established for all purchased interest on non-performing loans made prior to FY 1992.

Foreclosed Property

Foreclosed property is comprised of real and business-related property acquired through foreclosure on loans and defaulted loan guaranties. Properties acquired as a result of defaulted loans committed after FY 1991 are shown at appraised value which is adjusted to the present value of expected future cash flows for financial statement presentation through the allowance for subsidy. Other foreclosed property is shown at the appraised value. SBA's foreclosed property inventory has declined in recent years as SBA's lending partners have assumed nearly all liquidation responsibilities. At September 30, 2007 SBA's foreclosed property was $14.3 million related to 62 loans. The properties had been held for an average of 1,232 days. At September 30, 2006 foreclosed property was $14.2 million related to 60 loans. The properties had been held for an average of 1,171 days.

Valuation Methodology for Post-1991 Direct Loans and Loan Guaranties

Guarantied and direct loans committed after FY 1991 are based on the net present value of their expected future cash flows. The SBA estimates future cash flows for guarantied and direct loans using economic and financial credit subsidy models. The SBA has developed a customized credit subsidy model for each of its major loan guaranty and direct loan programs.

SBA's models vary in the specific methodologies they employ 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 (OMB) Credit Subsidy Calculator that has both forecasted and actual Treasury interest rates.

Historical data used as the basis for program performance assumptions is drawn primarily from data systems maintained by the SBA and its contractors. The historical data undergoes quality review and analysis prior to its use in developing model assumptions.

Key input to the subsidy models vary by program. Input includes items such as:

- Contractual terms of the loan or guaranty such as loan amount, interest rate, maturity and grace period
- Borrower characteristics
- Loan origination methods
- Economic indicators such as gross domestic product growth and unemployment rate
- Loan performance assumptions, for example: conditional purchase and prepayment rates, and recovery rates
- Loan fee rates

Valuation Methodology for Pre-1992 Direct Loans and Loan Guaranties

The SBA values pre-credit reform direct and defaulted guarantied loans by estimating an allowance for loan losses. This allowance is offset against gross loan receivables to obtain SBA's expected net collections from these assets. The SBA establishes a 100 percent allowance for pre-credit reform direct and defaulted guarantied loans that are past due more than 180 days.

A liability is also established for active pre-credit reform loan guaranties. The liability is estimated based on historical experience.

B. Credit Program Receivables and Related Foreclosed Property, Net

(Dollars in Thousands)

AS OF SEPTEMBER 30, 2007	Pre-1992 Loans	Post-1991 Loans	Total
Direct Business Loans			
Business Loans Receivable	$ 23,305	$ 122,463	$ 145,768
Interest Receivable	1,527	1,050	2,577
Foreclosed Property	3,293		3,293
Allowance	(4,375)	(11,019)	(15,394)
Total Direct Business Loans	**23,750**	**112,494**	**136,244**
Direct Disaster Loans			
Disaster Loans Receivable	21,620	8,966,313	8,987,933
Interest Receivable	161	40,864	41,025
Foreclosed Property		944	944
Allowance	(2,474)	(1,563,019)	(1,565,493)
Total Direct Disaster Loans	**19,307**	**7,445,102**	**7,464,409**
Defaulted Guarantied Business Loans & Other Loan Receivables			
Defaulted Guarantied Business Loans	73,855	3,204,640	3,278,495
Other Loans Receivable (see note below)		697,802	697,802
Interest Receivable	2,855	16,625	19,480
Foreclosed Property	3,594	6,495	10,089
Allowance	(33,597)	(3,235,460)	(3,269,057)
Total Defaulted Guarantied Business Loans & Other Loan Receivables	**46,707**	**690,102**	**736,809**
Total Credit Program Receivables & Related Foreclosed Property, Net			**$ 8,337,462**

AS OF SEPTEMBER 30, 2006	Pre-1992 Loans	Post-1991 Loans	Total
Direct Business Loans			
Business Loans Receivable	$ 30,185	$ 129,230	$ 159,415
Interest Receivable	3,322	1,314	4,636
Foreclosed Property	3,343		3,343
Allowance	(10,328)	(16,657)	(26,985)
Total Direct Business Loans	**26,522**	**113,887**	**140,409**
Direct Disaster Loans			
Disaster Loans Receivable	26,053	6,742,153	6,768,206
Interest Receivable	187	50,564	50,751
Foreclosed Property		907	907
Allowance	(3,148)	(1,400,200)	(1,403,348)
Total Direct Disaster Loans	**23,092**	**5,393,424**	**5,416,516**
Defaulted Guarantied Business Loans & Other Loan Receivables			
Defaulted Guarantied Business Loans	103,210	3,197,246	3,300,456
Other Loans Receivable (see note below)		660,974	660,974
Interest Receivable	1,692	9,442	11,134
Foreclosed Property	3,832	6,133	9,965
Allowance	(33,545)	(3,123,783)	(3,157,328)
Total Defaulted Guarantied Business Loans & Other Loan Receivables	**75,189**	**750,012**	**825,201**
Total Credit Program Receivables & Related Foreclosed Property, Net			**$ 6,382,126**

Note: Other Loan Receivables include payments advanced by the SBA against future reimbursements in the SBIC and 504 guaranty programs.

C. Loans Disbursed and Outstanding Loan Obligations

(Dollars in Thousands)

DIRECT LOANS

New Loans Disbursed During the Year Ending September 30,	**2007**	**2006**
Business Direct Loan Program	$ 16,426	$ 15,683
Disaster Loan Program	3,268,258	3,660,069
Total Direct Loans Disbursed	**$ 3,284,684**	**$ 3,675,752**

Outstanding Loan Obligations as of September 30,	**2007**	**2006**
Business Direct Loan Program	$ 25,238	$ 25,497
Disaster Loan Program	1,037,396	5,392,931
Total Direct Loan Obligations	**$ 1,062,634**	**$ 5,418,428**

GUARANTIED LOANS

New Loans Disbursed During the Year Ending September 30,	**2007**	**2006**
Total Principal Disbursed at Face Value	$ 19,068,952	$ 18,859,894
Total Principal Disbursed Guarantied by the SBA	15,121,280	14,888,693

Outstanding Loan Obligations as of September 30,	**2007**	**2006**
Business Guarantied Loan Programs	$ 13,193,002	$ 13,502,075

Loans Outstanding as of September 30,	**2007**	**2006**
Total Principal Outstanding at Face Value	$ 71,530,436	$ 67,242,067
Total Principal Outstanding Guarantied by the SBA	58,413,188	54,606,533

D. Subsidy Cost Allowance Balances

(Dollars in Thousands)

FOR THE YEARS ENDING SEPTEMBER 30,	**2007**	**2006**
Post-1991 Business Direct and Purchased Guarantied Loans		
Beginning Balance of Allowance Account	**$ 3,140,440**	**$ 3,177,752**
Current Year's Subsidy (see 6G for breakdown by component)	1,408	1,484
Loans Written Off	(539,195)	(997,108)
Subsidy Amortization	(3,153)	(2,057)
Allowance Related to Guarantied Loans Purchased This Year	598,852	946,786
Miscellaneous Recoveries and Costs	55,503	21,668
Balance of Subsidy Allowance Account before Reestimates	3,253,855	3,148,525
Technical Assumptions/Default Reestimates	(7,376)	(8,085)
Ending Balance of Allowance Account	**$ 3,246,479**	**$ 3,140,440**
Post-1991 Disaster Direct Loans		
Beginning Balance of Allowance Account	**$ 1,400,200**	**$ 689,963**
Current Year's Subsidy (see 6G for breakdown by component)	500,002	536,477
Loans Written Off	(106,920)	(107,236)
Subsidy Amortization	(52,646)	(43,104)
Miscellaneous Recoveries and Costs	14,923	12,442
Balance of Subsidy Allowance Account before Reestimates	1,755,559	1,088,542
Technical Assumptions/Default Reestimates	(192,540)	311,658
Ending Balance of Allowance Account	**$ 1,563,019**	**$ 1,400,200**

E. Loan Guaranty Liability Balances

(Dollars in Thousands)

FOR THE YEARS ENDING SEPTEMBER 30,	2007	2006
Pre-1992 Business Loan Guaranties		
Beginning Balance of Liability for Loan Guaranties	**$ 1,042**	**$ 2,798**
Adjustment to Expected Losses, Guaranties Outstanding	71	(1,756)
Ending Balance of Liability for Loan Guaranties	**1,113**	**1,042**
Post-1991 Business Loan Guaranties		
Beginning Balance of Liability for Loan Guaranties	**1,629,779**	**2,142,664**
Current Year's Subsidy (see 6G for breakdown by component)	3,390	3,638
Fees	639,171	640,060
Interest Accumulation Factor	49,140	49,577
Claim Payments to Lenders	(1,008,738)	(981,968)
Adjustment Due to Reestimate & Guarantied Loan Purchases	409,886	35,181
Miscellaneous Recoveries and Costs	45,685	47,297
Balance of Liability for Loan Guaranties before Reestimates	1,768,313	1,936,449
Technical Assumptions/Default Reestimates	(31,566)	(306,670)
Ending Balance of Liability for Loan Guaranties	**1,736,747**	**1,629,779**
Total Ending Balance of Liability for Loan Guaranties	**$ 1,737,860**	**$ 1,630,821**

F. 2007 Subsidy Rates by Program and Component

LOAN PROGRAMS	Financing	Default	Fees	Other	Total Rate
Direct Loan Programs					
Microloan	9.08%	-0.03%		1.16%	10.21%
Disaster Loan	10.63%	8.63%		-1.53%	17.73%
Guaranty Business Loan Programs					
7A		3.47%	-3.47%		0.00%
504 LDC		2.15%	-2.45%	0.30%	0.00%
SBIC Debenture		8.17%	-3.20%	-4.97%	0.00%

The subsidy rates in Table F above pertain only to loans obligated in the current year. These rates cannot be applied to the loans disbursed during the current year to yield the subsidy expense because loans disbursed during the current year include loans obligated in prior years. Subsidy expenses reported in Table G result from the disbursement of loans obligated in the current year as well as in prior years, and includes reestimates.

G. Subsidy Expense by Component

(Dollars in Thousands)

FOR THE YEARS ENDING SEPTEMBER 30,	2007	2006
Business Loan Guaranties		
Defaults	$ 4,236	$ 9,630
Fees	(849)	(5,660)
Other	3	(332)
Subsidy Expense Before Reestimates	3,390	3,638
Reestimates	(31,566)	(306,670)
Total Guarantied Business Loan Subsidy Expense	**$ (28,176)**	**$ (303,032)**
Business Direct Loans		
Interest	$ 1,340	$ 1,450
Defaults	27	34
Other	41	
Subsidy Expense Before Reestimates	1,408	1,484
Reestimates	(7,376)	(8,085)
Total Business Direct Loan Subsidy Expense	**$ (5,968)**	**$ (6,601)**
Disaster Direct Loans		
Interest	$ 283,167	$ 300,886
Defaults	310,722	354,157
Fees	(1)	(13)
Other	(93,886)	(118,553)
Subsidy Expense Before Reestimates	500,002	536,477
Reestimates	(192,540)	311,658
Total Disaster Direct Loan Subsidy Expense	**$ 307,462**	**$ 848,135**

H. Administrative Expenses

The SBA received appropriations to administer its credit programs, including the making, servicing and liquidation of its loans and guaranties. Amounts expensed in the Statement of Net Cost are:

(Dollars in Thousands)

FOR THE YEARS ENDING SEPTEMBER 30,	2007	2006
Disaster Direct Loan Programs	$ 267,799	$ 449,549
Business Loan Programs	124,314	123,651
Total Administrative Expense	**$ 392,113**	**$ 573,200**

I. Credit Program Subsidy Reestimates

Reestimates are performed annually, on a cohort-by-cohort basis. The purpose of reestimates is to update original program cost estimates to reflect actual cash flow experience as well as changes in forecasts of future cash flows. Forecasts of future cash flows are updated based on new information about historical program performance, revised expectations for future economic conditions, and enhancements to cash flow projection methods. Financial statement reestimates were performed using nine months of actual and three months of projected performance data for FY 2007, with two exceptions:

- Purchases for the SBIC Debenture and SBIC Participating Securities programs are actual purchases for the fiscal year.
- The reestimate for the 2006 cohort of the Disaster Assistance program is based on actual data through September 24 and estimates for the remaining 6 days.

Business Guarantied Loan Programs

Net Subsidy reestimates for Business Guarantied Loan Programs follows:

(Dollars in Thousands)

Guarantied Loan Program Subsidy Reestimates	2007	2006
7(a) Loan Guaranty	$ 51,975	$ (63,676)
7(a) Star	(5,729)	(16,228)
504 CDC Debentures	(30,391)	(145,643)
SBIC Debentures	(101,878)	(67,846)
SBIC Participating Securities	50,537	(72,379)
Secondary Market Guaranty Program	1,784	60,408
All Other Guaranty Loan Programs	2,136	(1,306)
Total Guarantied Loan Program Subsidy Reestimates	**$ (31,566)**	**$ (306,670)**

The SBIC Debentures Program had the largest net reestimates for the guarantied business loan programs in FY 2007 with net downward reestimates of $101.9 million. The downward reestimates were mostly the result of a reduction in the amount of projected purchases, based on additional actual performance data, in the remaining performance years within the cohorts. Numerous cohorts within the SBIC Participating Securities program also had downward reestimates for the same reason. The $50.5 million net upward reestimates for the SBIC Participating Securities program were mostly caused by disbursements in the more recent cohorts.

The 7(a) Loan Guaranty Program, SBA's flagship and largest program, net $52.0 million upward reestimate was one of the smallest reestimates in the program's history. The net upward reestimates were mostly the result of minor modeling enhancements that more accurately reflect the costs of the program. The reestimates reflect the stability of the ongoing loan performance as well as the consistency of the credit subsidy model.

The 504 Certified Development Companies Program net downward reestimates of $30.4 million were also among the smallest net reestimates in the program's history. The relatively small reestimate indicates that the program has become relatively stable.

The $1.8 million net upward reestimate in FY 2007 for the Secondary Market Guaranty program was for the FY 2004 cohort. That $38 billion cohort includes all secondary market pools formed in FY 2004 and earlier. The upward reestimate for this cohort is primarily the result of lower than projected returns from investments in Treasury securities within the Master Reserve Fund during FY 2007 and, based on mid-session economic assumptions, lower projected returns in the future.

Business Direct Loan Programs

The most significant reestimate for the Direct Business Loan Programs for FY 2007 is an $11.8 million net downward reestimate for the SBIC Direct Preferred Stock Fee Program. Most of that reestimate was the result of higher than projected recoveries for that program.

Subsidy reestimates for Business Direct Loan Program follow:

(Dollars in Thousands)

Business Direct Loan Program Subsidy Reestimates	2007	2006
7(m) Microloan	$ 4,568	$ 3,530
SBIC Preferred Stock	(11,797)	(11,953)
All Other Direct Loan Programs	(147)	338
Total Direct Loan Program Subsidy Reestimates	**$ (7,376)**	**$ (8,085)**

Disaster Direct Loan Programs

Subsidy reestimates for disaster direct loan programs follow:

(Dollars in Thousands)

Disaster Direct Loan Program Subsidy Reestimates	2007	2006
Disaster	$ (185,134)	$ 316,758
World Trade Center Disaster	(7,406)	(5,100)
Total Disaster Direct Loan Program Subsidy Reestimates	**$ (192,540)**	**$ 311,658**

The Disaster program had relatively minor reestimates with the exception of the 2005 and 2006 cohorts which were reestimated for the second time this year. The 2005 and 2006 cohorts have $7.1 billion in disbursements through the end of FY 2007 and account for $135.0 million of the net downward reestimate of $185.1 million for FY 2007. The downward reestimate is primarily because many of the disbursements in FY 2007 were for home loans that typically perform better than other disaster related loans. Modeling enhancements, that included expanding the age probabilities, account for the remaining portion of the downward reestimate.

Note 7. Equipment and Internal Use Software, Net

Equipment is capitalized at full cost when the initial unit acquisition cost is $50,000 or more and service life is at least two years; otherwise, it is expensed when purchased.

Software intended for internal use, whether internally developed, contractor developed or purchased, is capitalized at cost if the initial unit acquisition cost is $250,000 or more and service life is at least two years. Costs that do not meet the capitalization criteria are expensed when incurred.

Capitalized software costs include all direct and indirect costs incurred, including overhead to develop the software. Software for internal use is amortized using the straight-line method over its useful life, not to exceed five years. Amortization begins when the system is put into operation. The costs of enhancements are capitalized when it is more likely than not that the enhancements will result in significant additional capabilities.

Assets meeting the capitalization thresholds established, at September 30, 2007 and 2006 are detailed below.

(Dollars in Thousands)

	2007	2006
Equipment	$ 118	$
Accumulated Depreciation	(12)	
Net	106	
Software in Development	634	
Software in Use	28,994	28,994
Amortization of Software in Use	(28,230)	(21,639)
Net	1,398	7,355
Total Equipment and Internal Use Software, Net	**$ 1,504**	**$ 7,355**

Note 8. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are liabilities for which congressional action is needed before budgetary resources can be provided. These unfunded liabilities at September 30, 2007 and 2006 consisted of:

(Dollars in Thousands)

	2007	2006
Intragovernmental Liabilities - Other		
Employment Taxes Payable	$ 6,507	$ 1,946
Federal Employee Compensation Act Payable	5,718	5,643
Total Intragovernmental Liabilities - Other	**12,225**	**7,589**
Federal Employee Compensation Act Actuarial Liability	**26,321**	**27,045**
Surety Bond Guarantee Program Future Claims	**23,588**	**22,119**
Other Liabilities		
Prior Liens on Real Estate Payable	492	960
Accrued Unfunded Annual Leave	22,908	22,737
Total Other Liabilities	**23,400**	**23,697**
Total Liabilities Not Covered by Budgetary Resources	**$ 85,534**	**$ 80,450**

The liability for Surety Bond Guarantees is an estimate of future claims in the SBG Program for guaranties outstanding at year-end.

Note 9. Debt

Borrowings payable to the Treasury result from loans provided by the Treasury to fund the portion of direct loans not covered by subsidy appropriations and to fund the payment of downward subsidy reestimates and other credit program disbursements (see Note 15). The SBA makes periodic principal repayments to the Treasury based on the analysis of its cash balances and future disbursement needs.

Borrowings payable to the Federal Financing Bank are the result of its financing of the SBA Section 503 Debentures issued prior to 1988.

All debt is intragovernmental and covered by budgetary resources. Debt transactions for the periods ending September 30, 2007 and 2006 and resulting balances are:

Intragovernmental Debt

(Dollars in Thousands)

Department of Treasury		**2007**		**2006**
Beginning Balance	$	9,303,062	$	7,694,998
New Borrowing		4,291,445		5,257,863
Repayments		(2,228,832)		(3,649,799)
Ending Balance	**$**	**11,365,675**	**$**	**9,303,062**
Federal Financing Bank		**2007**		**2006**
Beginning Balance	$	27,320	$	40,909
Repayments		(9,521)		(13,195)
Change in Interest Payable		(286)		(394)
Ending Balance	**$**	**17,513**	**$**	**27,320**
Total Debt	**$**	**11,383,188**	**$**	**9,330,382**

Note 10. Net Assets of Liquidating Funds Due to Treasury

Net Assets of Liquidating Funds Due to Treasury is the residual of the book value of assets less liabilities in the Liquidating Funds for loans made prior to FY 1992. Subsequent to the issuance of its audited financial statements each year, the SBA returns to the Treasury the portion of this balance that is considered to be the unobligated balance for budgetary reporting at fiscal year-end.

(Dollars in Thousands)

AS OF SEPTEMBER 30,		**2007**		**2006**
Pollution Control Equipment Guaranty Fund	$	5,350	$	5,421
Disaster Loan Fund		33,438		39,217
Business Loan and Investment Fund		97,485		129,049
Total Due Treasury	**$**	**136,273**	**$**	**173,687**

Note 11. Other Liabilities

Other liabilities at September 30th were:

(Dollars in Thousands)

	2007	2006
OTHER LIABILITIES - INTRAGOVERMENTAL		
Entity		
Current		
Employment Taxes Payable	$ 2,400	$ 2,442
Advances from Other Agencies	4,780	8,438
Total Current	**7,180**	**10,880**
Non-current		
Employment Taxes Payable	6,507	1,946
Federal Employee Compensation Act Payable	5,718	5,643
Payable to Federal Financing Bank	637	838
Total Non-current	**12,862**	**8,427**
Total Entity	**20,042**	**19,307**
Non-entity		
Current		
Payable to Treasury	12	19
Total Other Liabilities - Intragovernmental	**$ 20,054**	**$ 19,326**
OTHER LIABILITIES - PUBLIC		
Entity		
Current		
Accrued Funded Payroll Benefits	$ 11,710	$ 15,523
Accrued Unfunded Annual Leave	22,908	22,737
Suspense Accounts	847	1,013
Total Current	**35,465**	**39,273**
Non-current		
Prior Liens on Real Estate Payable	492	960
Total Non-current	**492**	**960**
Total Entity	**35,957**	**40,233**
Non-entity		
Current		
Non-entity Current Payable	4	17
Total Other Liabilities - Public	**$ 35,961**	**$ 40,250**

Note 12. Leases

The SBA leases all facilities from the General Services Administration. The SBA enters into an Occupancy Agreement with GSA for each facility. GSA, in turn, leases commercial facilities or provides space in federal buildings. Agreements for space in federal buildings can be vacated with 120 to 180 days notice. However, the SBA anticipates continuing the same or similar facilities leases in the future. These leases with GSA are operating leases and are expensed in the Statement of Net Cost when incurred. FY 2007 and 2006 facilities lease costs were $45.7 million and $46.1 million. Future lease payments below assume a three percent inflation factor from the following years' projected totals as estimated by the GSA, as well as continued costs during the next five years as leases expire and new leases are added. Payments after five years reflect only current leases that will still be in effect then, projected to the end of each lease term.

Future Facilities Operating Lease Payments

(Dollars in Thousands)

FOR THE YEARS ENDING SEPTEMBER 30,		Lease Pmts
2008	$	45,643
2009		47,012
2010		48,423
2011		49,875
2012		51,371
After 2012		57,965
Total	**$**	**300,289**

Note 13. Non-entity Reporting

Non-entity Assets are assets held by the SBA but not available to the SBA. The primary non-entity asset held by the SBA is Fund Balance with the Treasury held in the Treasury general fund accounts specifically established for SBA's downward subsidy reestimates for its discretionary loan programs. Because the loan programs are discretionary, the downward reestimates are not available to the SBA and they are returned to the Treasury in the fiscal year following the accrual of the reestimates. During the year, these general fund accounts contain SBA's prior year reestimates. At year-end, the funds are swept by the Treasury with the exception of one deposit fund. Also at year-end, the SBA accrues the current year's reestimates, including downward reestimates as applicable. For the downward reestimates, in the loan financing funds, the SBA records an accrual adjustment that records a transfer out to the non-entity fund, a reduction of subsidy allowance or loan guarantee liability, and an amount payable to the non-entity fund. In loan program funds the SBA records a reduction of loan subsidy expense and the associated impact on the net cost. The non-entity Treasury general funds contain a corresponding amount receivable in anticipation of the receipt of the downward reestimates in the following year.

For consolidated financial statement presentation, the SBA eliminates the payable to the non-entity fund and the receivable from the financing funds, since both are included in SBA's reporting entity.

(Dollars in Thousands)		2007		2006
Entity				
Financing Fund Payable	$	(645,826)	$	(704,506)
Non-entity				
Miscellaneous Receipts Fund Receivable		645,826		704,506
Balance Sheet Reported Payable and Receivable	**$**	**- 0 -**	**$**	**- 0 -**

Note 14. Statement of Net Cost

Federal cost accounting standards require the SBA to report operating costs by strategic goal activity. Full costs include all direct and indirect costs for a strategic goal. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost.

Operating Cost

The full and net operating costs of SBA's major strategic goals are presented in the Consolidated Statement of Net Cost. Full costs are comprised of all direct costs for the strategic goals and those indirect costs which can be reasonably assigned or allocated to the strategic goals, including employee pension and other retirement benefit costs paid by the OPM and charged to the SBA.

Earned Revenue

Earned revenues arise from exchange transactions, and are deducted from the full cost of SBA's major strategic goals to arrive at net strategic goals costs. The SBA recognizes earned revenues when reimbursements are payable from other federal agencies and the public, as a result of costs incurred or services performed. A major source of earned revenue include; interest earned on SBA's outstanding Business and Disaster loan portfolios and interest earned on uninvested funds in the credit reform financing accounts.

Reporting by Strategic Goal

The SBA reports costs consistent with its strategic goals. The costs of Goal 4 "ensure that all SBA strategic goals operate at maximum efficiency and effectiveness by providing them with high quality executive leadership and support services" are fully allocated to the other three strategic goals. Goal 4 costs are estimated at $136 million and $132 million for FY 2007 and FY 2006. Costs Not Assigned to Strategic Goals on the Statement of Net Cost includes costs of congressionally mandated grant programs and the Office of the Inspector General.

Intragovernmental Gross Cost is cost incurred by the SBA in exchange transactions with other federal agencies. Gross Cost with the Public is cost incurred by the SBA in exchange transactions. Intragovernmental Earned Revenue is revenue earned by the SBA in exchange transactions with other federal agencies. Earned Revenue from the Public is revenue earned by the SBA in exchange transactions.

The classification as Intragovernmental Costs or Gross Cost with the Public relate to source of the goods and services received by the SBA and not to the classification of related revenue. The classification of revenue or cost being defined as "intragovernmental" or "public" is defined on a transaction by transaction basis. The purpose of this classification is to enable the federal government to provide consolidated financial statements, and not to match the public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

Intragovernmental Costs and Exchange Revenue

(Dollars in Thousands)

FOR THE YEARS ENDING SEPTEMBER 30,	2007	2006
STRATEGIC GOAL 1:		
Improve Economic Environment for Small Business		
Intragovernmental Gross Cost	$ 12,953	$ 8,284
Gross Cost with the Public	40,068	34,590
Total Strategic Goal 1 Gross Cost	**53,021**	**42,874**
STRATEGIC GOAL 2:		
Increase Small Business Success by Bridging Competitive Opportunity Gaps		
Intragovernmental Gross Cost	$ 170,107	$ 152,976
Gross Cost with the Public	335,837	13,988
Total Strategic Goal 2 Gross Cost	**505,944**	**166,964**
Intragovernmental Earned Revenue	113,964	132,218
Earned Revenue from the Public	78,090	64,376
Total Earned Revenue Strategic Goal 2	**192,054**	**196,594**
STRATEGIC GOAL 3:		
Restore Homes and Businesses Affected by Disaster		
Intragovernmental Gross Cost	$ 603,823	$ 555,340
Gross Cost with the Public	548,688	1,284,926
Total Strategic Goal 3 Gross Cost	**1,152,511**	**1,840,266**
Intragovernmental Earned Revenue	227,421	254,067
Earned Revenue from the Public	298,797	196,649
Total Earned Revenue Strategic Goal 3	**526,218**	**450,716**
Cost Not Assigned to Strategic Goals		
Intragovernmental Gross Cost	$ 16,461	$ 13,316
Gross Cost with the Public	50,925	55,609
Total Gross Cost Not Assigned to Strategic Goal	**67,386**	**68,925**
Net Cost of Operations	**$ 1,060,590**	**$ 1,471,719**

Note 15. Statement of Budgetary Resources

The Statement of Budgetary Resources presents information about total budgetary resources available to the SBA and the status of those resources, as of September 30, 2007 and 2006. SBA's total budgetary resources were $2.9 billion and $4.0 billion for the years ended September 30, 2007 and 2006. Additionally, $9.1 billion and $18.6 billion of nonbudgetary resources including borrowing authority and collections of loan principal, interest and fees, in financing funds were reported for the years ended September 30, 2007 and 2006.

Adjustments to Beginning Balance of Budgetary Resources

The SBA made no adjustments to the beginning budgetary resources during the years ended September 30, 2007 and 2006.

Permanent Indefinite Appropriations

The SBA receives permanent indefinite appropriations annually to fund increases in the projected subsidy costs of loan programs as determined by the reestimation process required by the Federal Credit Reform Act of 1990. The appropriations are received initially in the SBA Program Funds and then transferred to the Financing Funds where they are used to fund obligations. SBA's Liquidating Funds also receive permanent indefinite appropriations to fund obligations. The Financing Funds are used to account for credit program obligations made subsequent to FY 1991; Liquidating Funds are used to account for credit program obligations made prior to FY 1992.

Decreases in projected subsidy costs in the Financing Funds are returned to the Treasury through SBA's annual reestimation process. The prior year's ending unobligated balances in SBA's Liquidating Funds are also transferred to Treasury annually.

Borrowing Authority and Terms of Borrowing

The SBA is authorized to borrow from the Treasury's Bureau of Public Debt when funds needed to disburse direct loans and purchase guarantied loans exceed subsidy costs and collections in the nonbudgetary loan financing funds. In FY 2007 and 2006, the SBA received $3.0 billion and $12.1 billion of borrowing authority from the OMB. At the end of FY 2007, the SBA had $0.6 billion in borrowing authority available that will be used to fund Guarantee loans disbursed in the future. At the end of FY 2006, the SBA had $6.8 billion available borrowing authority. The SBA pays interest to the Treasury based on Treasury's cost of funds. The rate at which interest is paid to the Treasury on the amounts borrowed (or received from the Treasury on uninvested cash balances) in a loan financing fund for a particular cohort is a disbursement-weighted average discount rate for cohorts prior to 2001 and a single effective rate for cohorts beginning with 2001. The SBA calculates and repays borrowings not needed for working capital at midyear for prior year cohorts and at the end of each fiscal year for the current year cohort. The SBA uses the loan principal, interest and fees collected from the public in its loan financing funds to repay its borrowings. The repayment maturity dates for the borrowing from the Treasury are based on the loan maturities used in the subsidy calculation. The maturities range from 16 years for Direct Business loans, 25 years for Guarantied Business loans and 30 years for Disaster loans.

Apportionment Categories of Obligations Incurred

During FY 2007 and FY 2006, the SBA incurred $6.7 billion and $14.9 billion of direct and reimbursable obligations of which $0.5 billion and $0.6 billion was apportioned in category A and $6.2 billion and $14.3 billion was apportioned in category B. Category A apportionments are restricted by quarter and program, Category B apportionments are restricted by purpose and program.

Unobligated Balances

Unobligated balances at September 30, 2007 and 2006 are $5.3 billion and $7.7 billion which include $3.2 billion and $1.6 billion of unavailable unobligated balances. These balances are unavailable primarily because they are unapportioned by OMB. The SBA accumulates the majority of these unobligated balances in its nonbudgetary financing accounts during the fiscal year ($4.7 billion in FY 2007 and $6.8 billion in FY 2006) from program collections that are used primarily to repay the Treasury borrowings in the following fiscal year. In addition, unobligated balances are accumulated in budgetary accounts from appropriations ($0.6 billion in FY 2007 and $0.9 billion in FY 2006) that are used to finance SBA's ongoing program operations.

Undisbursed Obligations

Undisbursed obligations for Disaster loan approvals were adjusted downward by $111.4 million and $200.9 million at September 30, 2007 and 2006, to recognize the expiration of approvals that were past the disbursement period or past the document return date specified in the borrower's loan authorization for loans approved prior to February 1, 2007. The adjustment included corollary downward adjustment of $16.0 million and $28.6 million to the Disaster subsidy obligation. A new disaster loan authorization and approval form was implemented February 1, 2007 that will reduce and eventually eliminate this adjustment in the future. This adjustment had a corresponding effect on the Unobligated Balances discussed above.

Undelivered Orders

Undelivered orders for the periods ended September 30, 2007 and 2006 were $1.5 billion and $6.5 billion.

Differences between the Statement of Budgetary Resources and the Budget of the U. S. Government

There were no material differences between the Statement of Budgetary Resources for FY 2006 and the President's Budget submission for FY 2008. The President's Budget with actual numbers for FY 2009 has not yet been published. The SBA expects no material differences between the President's Budget "actual" column and the FY 2007 reported results when the budget becomes available in February, 2008.

Note 16. Reconciliation of Budgetary Obligations Incurred to Net Cost of Operations (formerly the Statement of Financing)

The SBA presents the Statement of Net Cost using the accrual basis of accounting. This differs from the obligation-based measurement of total resources supplied, both budgetary and from other sources, on the Statement of Budgetary Resources.

The Federal Financial Accounting Standard No. 7 requires "a reconciliation of proprietary and budgetary information in a way that helps users relate the two." In previous years this reconciliation was accomplished by presenting the Statement of Financing as a basic financial statement. Effective for fiscal year 2007, OMB decided that this reconciliation would be better placed and understood as a footnote rather than as a basic statement. The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting.

Consolidated Reconciliation of Budgetary Obligations to Net Cost

For the years ended September 30, 2007 and 2006

(Dollars in Thousands)	2007	2006
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 6,683,743	$ 14,880,354
Less: Spending Authority from Offsetting Collections and Recoveries	7,418,503	4,820,732
Obligations Net of Offsetting Collections and Recoveries	(734,760)	10,059,622
Less: Offsetting Receipts	773,829	1,005,375
Net Obligations	**(1,508,589)**	**9,054,247**
Other Resources		
Imputed Financing	21,091	16,530
Other Financing Sources	(730,777)	(789,448)
Net Other Resources Used to Finance Activities	**(709,686)**	**(772,918)**
Total Resources Used to Finance Activities	**(2,218,275)**	**8,281,329**
RESOURCES THAT DO NOT FINANCE NET COST OF OPERATIONS		
(Increase) Decrease in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	4,390,501	(4,987,088)
Resources that Fund Expenses Recognized in Prior Periods	(728,246)	(460,835)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations		
Credit Program Collections	4,263,660	3,448,944
Offsetting Receipts	773,829	1,005,375
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	(5,968,028)	(6,572,825)
Other - Current Year Liquidating Equity Activity	9,543	30,301
Other Resources that Do Not Affect Net Cost of Operations	6,038	187
Total Resources that Do Not Finance Net Cost of Operations	**2,747,297**	**(7,535,941)**
Total Resources Used to Finance the Net Cost of Operations	**529,022**	**745,388**
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		
Change in Annual Leave Liability	171	1,785
Upward Reestimates of Credit Subsidy Expense	515,033	727,892
Change in Revenue Receivable from Public	5,089	4,112
Provision for Losses on Estimated Guaranties	1,540	(988)
Change in Unfunded Employee Benefits	4,636	2,306
Total Components Requiring or Generating Resources in Future Periods	**526,469**	**735,107**
Components Not Requiring or Generating Resources		
Depreciation or Amortization	6,603	6,646
Change in Bad Debt Expense - Pre-1992 Loans	(1,215)	(15,671)
Other (Income) Expenses Not Requiring Budgetary Resources	(289)	249
Total Components Not Requiring or Generating Resources	**5,099**	**(8,776)**
Total Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**531,568**	**726,331**
Net Cost of Operations	**$ 1,060,590**	**$ 1,471,719**

Liabilities Not Covered by Budgetary Resources on the Balance Sheet (Note 8) differs from Components Requiring or Generating Resources in Future Periods in this reconciliation primarily due to reestimated subsidy costs of loan programs. The subsidy costs are shown in the Statement of Net Cost and are to be covered by budgetary resources but these resources, while available under permanent and indefinite authority, were not provided by year-end. Additionally, there will always be a difference for existing liabilities because the Reconciliation of Budgetary Obligations Incurred to Net Cost of Operations reports only current year changes, not balances.

The table below details these differences:

(Dollars in Thousands)

AS OF SEPTEMBER 30,	2007	2006
Current Year Liabilities Not Covered By Budgetary Resources	$ 85,534	$ 80,450
Prior Year	80,450	78,398
Change in Liabilities Not Covered By Budgetary Resources	5,084	2,052
Upward/Downward Reestimates of Credit Subsidy Expense	515,033	727,892
Change in Revenue Receivable from Public	5,089	4,112
All Other	1,263	1,051
Components (of Net Cost) Generating Resources in Future Periods (Per Reconciliation Above)	**$ 526,469**	**$ 735,107**

Combining Statement of Budgetary Resources

For the year ended September 30, 2007

(Dollars in Thousands)

	BLIF		DLF		SBGRF	PCECGF
BUDGETARY RESOURCES	Budgetary	Nonbudgetary Financing	Budgetary	Nonbudgetary Financing	Budgetary	Budgetary
Unobligated Balance						
Brought Forward October 1	$ 69,217	$ 2,604,056	$ 649,419	$ 4,207,302	$ 20,661	$ 3,201
Recoveries of Prior Year Obligations	1,934	6,840	402,442	2,750,116		
Budget Authority						
Appropriations Received	552,257		415,238		2,824	3,000
Borrowing Authority		779,688		2,186,414		
Spending Authority from Offsetting Collections						
Earned	27,871	2,026,922	15,488	2,236,737	8,308	213
Change in Unfilled Customer Orders		(3,856)		(612,475)		
Total Budget Authority	580,128	2,802,754	430,726	3,810,676	11,132	3,213
Nonexpenditure Transfers, Net						
Budget Authority			(150,000)			
Permanently Not Available	(71,070)	(420,760)	(27,696)	(6,694,946)		(3,201)
Total Budgetary Resources	**$ 580,209**	**$ 4,992,890**	**$ 1,304,891**	**$ 4,073,148**	**$ 31,793**	**$ 3,213**
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred, Net						
Direct	$ 417,206	$ 2,176,326	$ 582,387	$ 2,211,332	$	$
Reimbursable	124,952		403,751		5,159	
Total Obligations Incurred, Net	542,158	2,176,326	986,138	2,211,332	5,159	
Unobligated Balances, Available	11,993	602,587	307,313	982,611	6,147	3,350
Unobligated Balances, Not Available	26,058	2,213,977	11,440	879,205	20,487	(137)
Total Status of Budgetary Resources	**$ 580,209**	**$ 4,992,890**	**$ 1,304,891**	**$ 4,073,148**	**$ 31,793**	**$ 3,213**
CHANGE IN OBLIGATED BALANCES						
Obligated Balance Brought Forward, Net October 1						
Unpaid Obligations Brought Forward	$ 19,878	$ 47,016	$ 784,847	$ 5,393,051	$ 872	$
Uncollected Customer Payments from Federal Sources Brought Forward		(10,191)		(783,472)		
Total Obligated Balance Brought Forward, Net	19,878	36,825	784,847	4,609,579	872	
Obligations Incurred	542,158	2,176,326	986,138	2,211,332	5,159	
Gross Outlays	(548,643)	(2,171,188)	(1,196,411)	(3,809,434)	(5,639)	
Recoveries of Prior Year Unpaid Obligations	(1,934)	(6,840)	(402,442)	(2,750,116)		
Change in Uncollected Customer Payments from Federal Sources		3,856		612,475		
Obligated Balance, Net, End of Period						
Unpaid Obligations	11,459	45,314	172,132	1,044,833	392	
Uncollected Customer Payments from Federal Sources		(6,335)		(170,997)		
Total Obligated Balance, Net, End of Period	**$ 11,459**	**$ 38,979**	**$ 172,132**	**$ 873,836**	**$ 392**	
NET OUTLAYS						
Gross Outlays	548,643	2,171,188	1,196,411	3,809,434	5,639	
Offsetting Collections	(27,871)	(2,026,922)	(15,488)	(2,236,737)	(8,308)	(213)
Net Outlays Before Offsetting Receipts	520,772	144,266	1,180,923	1,572,697	(2,669)	(213)
Offsetting Receipts		(762,528)		(11,195)		
Net Outlays	**$ 520,772**	**$ (618,262)**	**$ 1,180,923**	**1,561,502**	**$ (2,669)**	**$ (213)**

Combining Statement of Budgetary Resources

For the year ended September 30, 2007

(Dollars in Thousands)

	SE	OIG	BATF	TOTAL	TOTAL	
BUDGETARY RESOURCES	Budgetary	Budgetary	Budgetary	Budgetary	Nonbudgetary Financing	Total
Unobligated Balance						
Brought Forward October 1	$ 110,813	$ 5,995	$ 364	$ 859,670	$ 6,811,358	$ 7,671,028
Recoveries of Prior Year Obligations	23,953	35	4	428,368	2,756,956	3,185,324
Budget Authority						
Appropriations Received	327,592	13,835		1,314,746		1,314,746
Borrowing Authority					2,966,102	2,966,102
Spending Authority from Offsetting Collections						
Earned	409,503	1,136	12	462,531	4,263,659	4,726,190
Change in Unfilled Customer Orders	122,294	1,026		123,320	(616,331)	(493,011)
Total Budget Authority	859,389	15,997	12	1,900,597	6,613,430	8,514,027
Nonexpenditure Transfers, Net						
Budget Authority				(150,000)		(150,000)
Permanently Not Available	(17,796)	(23)		(119,786)	(7,115,706)	(7,235,492)
Total Budgetary Resources	**$ 976,359**	**$ 22,004**	**$ 380**	**$ 2,918,849**	**$ 9,066,038**	**$ 11,984,887**
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred, Net						
Direct	$ 331,318	$ 15,011	$ 97	$ 1,346,019	$ 4,387,658	$ 5,733,677
Reimbursable	414,896	1,308		950,066		950,066
Total Obligations Incurred, Net	746,214	16,319	97	2,296,085	4,387,658	6,683,743
Unobligated Balances, Available	210,966	5,276	283	545,328	1,585,198	2,130,526
Unobligated Balances, Not Available	19,179	409	-	77,436	3,093,182	3,170,618
Total Status of Budgetary Resources	**$ 976,359**	**$ 22,004**	**$ 380**	**$ 2,918,849**	**$ 9,066,038**	**$ 11,984,887**
CHANGE IN OBLIGATED BALANCES						
Obligated Balance Brought Forward, Net October 1						
Unpaid Obligations Brought Forward	$ 360,515	$ 1,961	$ 6	$ 1,168,079	$ 5,440,067	$ 6,608,146
Uncollected Customer Payments from Federal Sources Brought Forward					(793,663)	(793,663)
Total Obligated Balance Brought Forward, Net	360,515	1,961	6	1,168,079	4,646,404	5,814,483
Obligations Incurred	746,214	16,319	97	2,296,085	4,387,658	6,683,743
Gross Outlays	(767,757)	(16,094)	(72)	(2,534,616)	(5,980,622)	(8,515,238)
Recoveries of Prior Year Unpaid Obligations	(23,953)	(35)	(4)	(428,368)	(2,756,956)	(3,185,324)
Change in Uncollected Customer Payments from Federal Sources					616,331	616,331
Obligated Balance, Net, End of Period						
Unpaid Obligations	315,019	2,151	27	501,180	1,090,147	1,591,327
Uncollected Customer Payments from Federal Sources					(177,332)	(177,332)
Total Obligated Balance, Net, End of Period	**$ 315,019**	**$ 2,151**	**$ 27**	**$ 501,180**	**$ 912,815**	**$ 1,413,995**
NET OUTLAYS						
Gross Outlays	767,757	16,094	72	2,534,616	5,980,622	8,515,238
Offsetting Collections	(531,797)	(2,162)	(12)	(585,851)	(4,263,659)	(4,849,510)
Net Outlays Before Offsetting Receipts	235,960	13,932	60	1,948,765	1,716,963	3,665,728
Offsetting Receipts	(106)			(106)	(773,723)	(773,829)
Net Outlays	**$ 235,854**	**$ 13,932**	**$ 60**	**$ 1,948,659**	**$ 943,240**	**$ 2,891,899**

Stewardship Investments in Human Capital

Human Capital investments are expenses included in net cost for education and training programs that are intended to increase or maintain national economic productive capacity and that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. The definition excludes education and training expenses for Federal personnel.

Small Business Development Centers deliver management and technical assistance, economic development and management training to existing and prospective small businesses through cooperative agreements with universities and colleges and government organizations.

SCORE is a nonprofit organization which provides small business counseling and training under a grant from the SBA. SCORE members are successful, retired business men and women who volunteer their time to assist aspiring entrepreneurs and small business owners. There are SCORE chapters in every state.

Women's Business Centers provide assistance to women business owners and acts as their advocate in the public and private sectors in a number of locations around the U.S.

All Other Training and Assistance Programs includes primarily Small Business Training provided by a counselor from a resource partner, district office, or SBA sponsor who delivers a structured program of knowledge, information or experience on a business-related subject. The training lasts for one or more hours and includes an agenda, attendee list, and a trainer evaluation. The session may be for an individual or a class. Training is also available online on a number of subjects of interest to the small business person. Other programs not separately detailed include Native American Outreach and Drug Free Work Place. As additional years of data accumulate, the investments will be presented separately.

Significant Human Capital investments occur within the following programs:

(Dollars in Thousands)

	2007	2006	2005	2004	2003
Small Business Development Centers	$ 99,748	$ 105,743	$ 104,075	$ 97,250	$ 99,293
SCORE	12,267	15,285	18,669	17,993	10,305
Women's Business Centers	16,382	10,382	11,172	19,218	15,361
All Other Training and Assistance Programs	62,787	24,513	46,598	18,250	38,824
Total	**$ 191,184**	**$ 155,923**	**$ 180,514**	**$ 152,711**	**$ 163,783**

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