



Principal Financial Statements and Related Notes

Consolidated Balance Sheets

As of September 30, 2000 and 1999
(In Thousands)

	2000	1999
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (note 2)	\$ 810,381	\$ 673,902
Accounts Receivable	2,405	1,545
Advances and Prepayments	2,785	753
Total Intragovernmental	815,571	676,200
Cash	19,968	9,912
Accounts Receivable, Net	398	626
Advances and Prepayments	1,754	2,338
Property and Equipment, Net (note 3)	124,851	129,180
Total Assets	\$ 962,542	\$ 818,256
LIABILITIES		
Intragovernmental:		
Accounts Payable	\$ 3,575	\$ 4,189
Accrued Payroll and Benefits	4,654	4,563
Accrued Postemployment Compensation	958	806
Customer Deposit Accounts (note 2)	3,218	2,784
Total Intragovernmental	12,405	12,342
Accounts Payable	55,210	55,728
Accrued Payroll and Benefits	39,018	33,255
Accrued Leave	25,280	21,981
Customer Deposit Accounts (note 2)	51,929	47,423
Deferred Revenue (note 5)	338,780	279,357
Actuarial Liability (note 6)	4,581	3,699
Capital Lease Liability (note 7)	5,793	-
Total Liabilities (note 4)	532,996	453,785
NET POSITION		
Cumulative Results of Operations	196,017	130,942
Revenue Withheld	233,529	233,529
Total Net Position	429,546	364,471
Total Liabilities and Net Position	\$ 962,542	\$ 818,256

- Represents zero.

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

Consolidating Statements of Net Cost

For the years ended September 30, 2000 and 1999
(In Thousands)

	2000				1999 Total
	Patents	Trademarks	Intellectual Property Leadership	Total	
PROGRAM					
Enhance Quality, Transition to E-Government, and Optimize Processing Time					
With the Public	\$ 596,587	\$ 99,361	\$ -	\$ 695,948	\$ 650,400
Intragovernmental	168,671	28,092	-	196,763	196,194
Total Program Cost	765,258	127,453	-	892,711	846,594
Earned Revenue	(817,399)	(139,157)	-	(956,556)	(909,355)
Net Program Income	(62,141)	(11,704)	-	(63,845)	(62,761)
Strengthen Intellectual Property Protection					
With the Public	-	-	14,514	14,514	11,717
Intragovernmental	-	-	4,103	4,103	3,534
Total Program Cost	-	-	18,617	18,617	15,251
Net (Income)/Cost from Operations	\$ (52,141)	\$ (11,704)	\$ 18,617	\$ (45,228)	\$ (47,510)
TOTAL ENTITY					
Total Program Cost (notes 9 and 10)	\$ 765,258	\$ 127,453	\$ 18,617	\$ 911,328	\$ 861,845
Earned Revenue	(817,399)	(139,157)	-	(956,556)	(909,355)
Net (Income)/Cost from Operations	\$ (52,141)	\$ (11,704)	\$ 18,617	\$ (45,228)	\$ (47,510)

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

Consolidating Statements of Changes in Net Position

For the years ended September 30, 2000 and 1999
(In Thousands)

	2000				1999 Total
	Patents	Trademarks	Intellectual Property Leadership	Total	
Net Income/(Cost) from Operations	\$ 52,141	\$ 11,704	\$ (18,617)	\$ 45,228	\$ 47,510
Other Financing Sources:					
Imputed Financing (note 8)	19,440	2,999	388	22,827	22,432
Net Increase/(Decrease) in Cumulative Results of Operations	\$ 71,581	\$ 14,703	\$ (18,229)	68,055	69,942
Non-Operating Change - Rescissions				(2,980)	(72,049)
Increase/(Decrease) in Net Position				65,075	(2,107)
Net Position, Beginning Balance				364,471	366,578
Net Position, Ending Balance				\$429,546	\$364,471

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

Consolidated Statements of Budgetary Resources

For the years ended September 30, 2000 and 1999
(In Thousands)

	2000	1999
BUDGETARY RESOURCES		
Budget Authority	\$ -	\$ (1,049)
Unobligated Balances - Beginning of Period	144,928	121,579
Spending Authority from Offsetting Collections	1,006,658	888,213
Adjustments (note 11)	(243,864)	(202,927)
Total Budgetary Resources	\$ 907,722	\$ 805,816
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	\$ 895,243	\$ 803,571
Unobligated Balances - Available	7,716	2,245
Unobligated Balances - Not Available	4,763	-
Total Status of Budgetary Resources	\$ 907,722	\$ 805,816
OUTLAYS		
Obligations Incurred	\$ 895,243	\$ 803,571
Spending Authority from Offsetting Collections and Adjustments	(1,020,663)	(898,969)
Obligated Balance, Net - Beginning of Period	245,253	292,940
Obligated Balance, Net - End of Period	(254,352)	(245,253)
Total Net Collections	\$ (134,519)	\$ (47,711)

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

Consolidated Statements of Financing

For the years ended September 30, 2000 and 1999
(In Thousands)

	2000	1999
OBLIGATIONS AND NONBUDGETARY RESOURCES		
Obligations Incurred	\$ 895,243	\$ 803,571
Spending Authority from Offsetting Collections and Adjustments	(1,020,663)	(898,969)
Financing Imputed for Cost Subsidies	22,827	22,432
Exchange Revenue Not in the Budget	-	(308)
Total Obligations, as Adjusted, and Nonbudgetary Resources	(102,593)	(73,274)
RESOURCES NOT FUNDING NET COST OF OPERATIONS		
Change in Amount of Goods, Services, and Benefits Ordered but Not yet Received or Provided	(9,272)	58,283
Costs Capitalized on the Balance Sheet	(59,317)	(77,440)
Financing Sources that Fund Costs of Prior Periods	8	(1,970)
Financing Sources that Fund Costs of Future Periods	299,649	68,716
Total Resources Not Funding Net Cost of Operations	231,068	47,589
NET COSTS NOT REQUIRING OR GENERATING RESOURCES		
Depreciation, Amortization, or Loss on Asset Dispositions	63,646	63,419
Revenue Not Generating Resources	(250,273)	(90,588)
Other Costs Not Requiring Resources	(746)	12
Total Net Costs Not Requiring or Generating Resources	(187,373)	(27,157)
Financing Sources yet to be Provided	13,670	5,332
Net Income from Operations	\$ (45,228)	\$ (47,510)

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

Consolidated Statement of Cash Flows (Indirect)

For the years ended September 30, 2000 and 1999
(In Thousands)

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Increase in Cumulative Results of Operations	\$ 68,055	\$ 69,942
Adjustments Affecting Cash Flow:		
(Increase)/Decrease in Accounts Receivable	(632)	545
(Increase) in Advances and Prepayments	(1,448)	(1,621)
(Decrease)/Increase in Accounts Payable	(1,132)	4,576
Increase in Accrued Payroll and Benefits	5,854	8,576
Increase in Accrued Leave and Postemployment Compensation	3,451	1,518
Increase in Customer Deposit Accounts	4,940	3,286
Increase/(Decrease) in Deferred Revenue	59,423	(27,774)
Increase/(Decrease) in Actuarial Liability	892	(98)
Increase in Capital Lease Liability	5,793	-
Depreciation, Amortization, or Loss on Asset Dispositions	63,646	63,419
Total Adjustments	140,777	52,427
Net Cash Provided by Operating Activities	208,832	122,369
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(59,317)	(77,440)
Net Cash Used in Investing Activities	(59,317)	(77,440)
CASH FLOWS FROM FINANCING ACTIVITIES		
Residissions	(2,980)	(72,049)
Net Cash Used in Financing Activities	(2,980)	(72,049)
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	\$ 146,535	\$ (27,120)
Fund Balance with Treasury and Cash, Beginning	\$ 683,814	\$ 710,934
Net Cash Provided/(Used) by Operating, Investing, and Financing Activities	146,535	(27,120)
Fund Balance with Treasury and Cash, Ending	\$ 830,349	\$ 683,814
Fund Balance with Treasury	\$ 810,381	\$ 673,902
Cash	19,968	9,912
Fund Balance with Treasury and Cash, Ending	\$ 830,349	\$ 683,814

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

Notes to the Financial Statements

As of and for the years ended September 30, 2000 and 1999

NOTE 1. Summary of Significant Accounting Policies

Reporting Entity

The U.S. Patent and Trademark Office (USPTO) is an agency of the United States within the Department of Commerce (DOC). The USPTO administers the laws relevant to patents and trademarks and advises the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property.

These financial statements include the USPTO's three core business activities that promote the use of intellectual property rights as a means of achieving economic prosperity--processing patent applications, registering trademarks, and leading intellectual property protection initiatives. These activities not only give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, but also provide protection for their inventions and trademarks.

These financial statements report the accounts for salaries and expenses (13X1006), special fund receipts (revenue withheld) (135127), and customer deposits (13X6542), which are under the control of the USPTO. The federal budget classifies the USPTO under the Commerce and Housing Credit (370) budget function. The USPTO does not have custodial responsibility, nor does it have lending or borrowing authority. The USPTO does not transact business among its own operating units. Therefore, no intra-bureau eliminations are necessary.

Basis of Presentation

As required by the Chief Financial Officers Act of 1990 (CFO Act) and 31 U.S.C. § 3515 (b), the accompanying financial statements present the financial position, net cost of operations, budgetary resources, and cash flows for the core business activities of the USPTO. The books and records of the USPTO serve as the source of this information.

These financial statements were prepared in accordance with the guidelines specified by the Office of Management and Budget (OMB) in Bulletin Number 97-01, as amended, *Form and Content of Agency Financial Statements*, as well as the accounting policies of the USPTO. They may therefore differ from other financial reports submitted pursuant to OMB directives for the purpose of monitoring and controlling the use of the USPTO's budgetary resources.

Basis of Accounting

Transactions are recorded on the accrual basis of accounting as well as on a budgetary basis. Budgetary accounting allows for compliance with the requirements for, and controls over, the use of Federal funds. Accrual accounting allows for revenue to be recognized when earned and expenses to be recognized when goods or services are received, without regard to the receipt or payment of cash. The accompanying financial statements are presented on the accrual basis of accounting. The accounting principles and standards applied in preparing these financial statements are in accordance with (a) the Statements of Federal Financial Accounting Standards (SFFAS), promulgated by the Federal Accounting Standards Advisory Board, which constitute accounting principles generally accepted in the United States; (b) the accounting policies and practices summarized in this note; and (c) the following hierarchy of accounting principles:

- Individual standards agreed to by the Director of the OMB, the Comptroller General, and the Secretary of the Treasury and published by the OMB and the General Accounting Office.
- Interpretations related to the SFFASs issued by the OMB in accordance with the procedures outlined in OMB Circular