KPMG

U.S. TRADE AND DEVELOPMENT AGENCY

Performance and Accountability Report

September 30, 2010

(With Independent Auditors' Reports Thereon)

U.S. TRADE AND DEVELOPMENT AGENCY

Performance and Accountability Report

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Table of Contents

U.S. TRADE AND DEVELOPMENT AGENCY

Director's Message

September 30, 2010

Mission Statement

The U.S. Trade and Development Agency (USTDA or the Agency) helps companies create U.S. jobs through the export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries.

Data Assessment

The USTDA develops and promulgates accounting systems and procedures for use by its staff to maximize accountability, standardization and cost effectiveness; monitors Agency compliance with these systems and procedures; reviews reports of the independent auditors to ensure compliance with auditor recommendations; monitors the activities of the Agency's programs; and performs analysis of required changes in procedure that affects the financial reporting of the Agency.

In addition, the Agency conducts independent program audits each year to supplement the work of the independent financial statement auditors and provides oversight of decentralized accounts payable processing and payroll activities. The Agency also performs internal control reviews on financial, management, and information systems, and conducts fact finding activities to support decisions impacting revisions to the Agency's accounting and financial reporting systems.

The Agency has service level agreements with the National Business Center (NBC) of the Department of the Interior for payroll, personnel, and accounting services. The operating effectiveness of the NBC's Oracle Federal Financials, General Information Technology and Accounting Operations Controls was examined under Statement on Auditing Standards No. 70, *Service Organizations*, (SAS 70) and a Type II SAS 70 report was issued for the period July 1, 2009 through June 30, 2010. In addition, the NBC provided assurance that the controls did not change for the period July 1, through September 30, 2010 and that the description of controls in the fiscal year (FY) 2010 Type II SAS 70 report presents fairly the operating effectiveness of the NBC controls that were in place as of September 30, 2010. USTDA relies on these assurances. The results of this report provide reasonable assurance that USTDA's financial management systems complied substantially with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

U.S. TRADE AND DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the year ended September 30, 2010

Description of the Reporting Entity

USTDA is an independent U.S. government agency administered under the authority of Section 661 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2421).

The Agency was established on July 1, 1980 as the U.S. Trade and Development Program (TDP) by delegation of authority as a component of the International Development Cooperation Agency (IDCA), and in 1988, under the Omnibus Trade and Competitiveness Act, the Agency was made a separate component agency of IDCA. On October 28, 1992, the Jobs Through Exports Act of 1992 established USTDA as an independent agency under the foreign policy guidance of the Secretary of State.

Performance Goals and Results

The government-wide implementation of annual performance plans under the *Government Performance and Results Act of 1993* (GPRA) required agencies to develop strategic plans and subsequent reports beginning with FY 1999. USTDA focuses on meeting stated goals and objectives in its current Strategic Plan covering the 2008-2012 time period.

USTDA uses two specific performance measures, the "multiplier" and the "hit rate" to ascertain whether its program achieves the long-term strategic objectives of advancing U.S. commercial interests in development projects. The targets for the "multiplier" and "hit rate" performance measures, while ambitious, have remained fairly constant. USTDA projects often take many years to mature and, therefore, the measures are applied on the basis of a ten-year rolling average.

In addition, the Agency uses four newly-established measurements for development impact:

- Percentage of implemented activities resulting in infrastructure/industrial projects;
- Percentage of implemented activities leading to adoption of market-oriented reforms;
- Percentage of implemented activates creating ten or more jobs, or training at least ten people; and
- Percentage of implemented activities resulting in the transfer of advanced technology or increased productivity.

(A) Commercial Objectives:

Since FY 2004, USTDA has been required to review all feasibility studies and technical assistance activities completed in each fiscal year and assess whether they have the potential to contribute to the agency's long-term commercial goals (i.e. the "multiplier" and "hit rate").

The chart below reflects, for each year, the percentage of USTDA activities that have the potential to contribute to the Agency's long term commercial goals.

FY 2010 Goal	FY 2010 Actual	FY 2009 Actual	FY 2008 Actual	FY 2007 Actual	FY 2006 Actual
60 %	70%	66%	72%	66%	83%

Over the past five years, USTDA has demonstrated the ability to achieve and/or exceed its ambitious commercial impact goals. USTDA's performance during the period highlights the results-oriented nature of USTDA's program.

	FY 2010 Goal	FY 2010 Actual	FY 2009 Actual	FY 2008 Actual	FY 2007 Actual	FY 2006 Actual
Multiplier[1]	35:1	47:1	41:1	35:1	39:1	43:1
Hit Rate[2]	35%	38.5%	36%	35%	35%	35%

For the most recent ten-year period for which information is complete, USTDA identified $14.2 billion in U.S. exports from the completed projects on which USTDA spent $301.1 million. This resulted in an export multiplier of 47:1. With respect to the commercial impact indicators, USTDA exceeded its export multiplier benchmark ($35 per $1 invested by USTDA).

The hit rate represents the proportion of USTDA activities for which USTDA has identified exports. For the same ten-year period, 435 of 1,129 projects produced exports, yielding a hit rate of 38.5%, also exceeding the Agency's stated goal.

(B) Development Objectives:

Because the maturation period of development projects is typically lengthy, developmental impact evaluations are not made until six years after completion of a USTDA activity. Consequently, no actual results are required for the period from FY 2004 – FY 2010. Beginning in 2011, the Agency will be required to show whether or not its implemented projects are meeting the following goals:

- 55% result in infrastructure and industrial improvements;
- 25% lead to the adoption of market-oriented reforms;
- 30% result in the creation of ten or more jobs, or the training of ten or more people; and
- 50% lead to the transfer of advanced technology or increased productivity.

(C) Reliability and Completeness of the Performance Data:

USTDA maintains an internal evaluations team and also contracts with independent evaluators. Both teams review USTDA activities for commercial impacts and developmental impacts. Review of USTDA activities takes place while activities are ongoing and upon completion. USTDA has had extensive experience

1 The multiplier is a ten year rolling average of the dollar amount in US exports produced for every $1 in expended USTDA program funding.

2 The hit rate is a ten year rolling average of the percentage of agency projects that have led to US exports.

measuring the success of its activities against its commercial goals. There is no indication from either the Agency's internal evaluations team or its external evaluations team that there are any material inadequacies that would significantly impede the use of performance data by the Agency's management and government decision-makers.

(D) Performance Goal Levels in the Performance Budget:

While USTDA has broadened the focus of its program to better match the Administration's trade and foreign policy priorities, it will continue to meet and/or exceed its commercial impact goals. Based on USTDA's budget for FY 2011, the Agency expects to again exceed its commercial impact goals. As a result, there is no identified need to adjust the Agency's performance goals.

Evaluations

The USTDA evaluations staff is responsible for maintaining status reports on the results of the Agency's activities and providing summary reports on the Agency's success in achieving U.S. export and host country development objectives.

Management has designed and followed a plan to provide reasonable assurance that reported performance information is relevant and reliable.

Financial Condition

The accompanying balance sheet as of September 30, 2010, reports a net position of approximately $104.7 million.

Total assets of approximately $113.8 million include fund balance with Treasury of $113.3 million. The total assets as of September 30, 2010 increased by approximately $4.1 million from September 30, 2009. The increase was primarily due to an increase in Fund Balance with Treasury of $4.4 million and a decrease in advances and prepayments of $.4 million.

Total liabilities reported are $9.1 million and are comprised of approximately $8.2 million of accounts payable, of which $7.8 million relates to grant payments owed, but unpaid as of September 30, 2010. Total liabilities as of September 30, 2010 increased by approximately $.7 million from FY 2009. The increase was primarily due to the increase in the accrual for grant payments.

Financial Results

USTDA's net cost of operations for the year ended September 30, 2010 amounted to approximately $56 million and total budgetary resources for the year amounted to approximately $70.8 million. The net cost of operations for FY 2010 increased by approximately $5.5 million from FY 2009. This increase is the result of more aggressive customer billings. The budgetary resources for FY 2010 increased by approximately $9.8 million from FY 2009. This increase was primarily due to increases in appropriations, transfers and recoveries that totaled approximately $10.8 million, and a decrease in the amount brought forward from 2009 in the amount of approximately $1 million. The accompanying statements of net cost, changes in net position, and budgetary resources illustrate in detail the financial results of USTDA's operations for FY 2010.

U.S. TRADE AND DEVELOPMENT AGENCY

Management's Discussion and Analysis

For the year ended September 30, 2010

Management Assurances

USTDA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Manager's Financial Integrity Act (FMFIA). USTDA conducted an assessment of the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, USTDA can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of June 30, 2010 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, USTDA conducted an assessment of the effectiveness of its internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, USTDA can provide reasonable assurance that internal control over financial reporting as of June 30, 2010 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Leocadia Zak
Director

July 23, 2010

Limitations of the Financial Statements

These financial statements have been prepared to report the financial position and results of operations of USTDA pursuant to the requirements of 31 U.S.C. §3515(b). While the statements have been prepared from the books and records of the Agency in accordance with the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

These statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Director
U.S. Trade and Development Agency:

We have audited the accompanying balance sheets of the U.S. Trade and Development Agency (USTDA) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the USTDA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the USTDA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Trade and Development Agency as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the Other Accompanying Information section is presented for purposes of additional analysis and is not required as part of the financial statements. This information has not been subjected to auditing procedures and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2010, on our consideration of the USTDA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our 2010 audit.

KPMG LLP

November 12, 2010

U.S. TRADE AND DEVELOPMENT AGENCY

Balance Sheets

As of September 30, 2010 and 2009

Assets		**FY 2010**		**FY 2009**
Intragovernmental:				
Fund Balance with Treasury (Note 2)	$	113,252,004	$	108,856,619
Accounts receivable, net (Note 3)		26,925		—
Total intragovernmental		113,278,929		108,856,619
Accounts receivable, net (Note 3)		—		72,059
Advances and prepayments (Note 3)		—		385,596
General property and equipment, net (Note 4)		517,085		385,157
Total assets	$	113,796,014	$	109,699,431
Liabilities and Net Position				
Liabilities				
Intragovernmental:				
Accounts payable (Note 5)	$	74,007	$	96,413
Other liabilities (Note 5)		28,126		424,647
Total intragovernmental		102,133		521,060
Accounts payable (Note 5)		8,087,922		6,979,796
Other liabilities (Note 5)		930,867		901,849
Total liabilities		9,120,922		8,402,705
Net position:				
Unexpended appropriations		104,631,325		101,289,856
Cumulative results of operations		43,767		6,870
Total net position		104,675,092		101,296,726
Total liabilities and net position	$	113,796,014	$	109,699,431

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Net Cost

For the years ended September 30, 2010 and 2009

		FY 2010		FY 2009
Cost of Operations:				
Grants program costs:	$	55,872,428	$	50,565,190
Less earned revenue		—		(78,900)
Net grant program cost		55,872,428		50,486,290
Costs not assigned to programs		592,764		485,696
Net cost of operations (Notes 6 & 11)	$	56,465,192	$	50,971,986

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Changes in Net Position

For the years ended September 30, 2010 and 2009

	FY 2010	FY 2009
Cumulative results of operations:		
Beginning balances	$ 6,870	$ 283,477
Budgetary financing sources:		
Appropriations used	56,110,429	50,382,230
Other financing sources:		
Imputed financing	391,660	313,149
Total financing sources	56,502,089	50,695,379
Net cost of operations	(56,465,192)	(50,971,986)
Net change	36,897	(276,607)
Ending balances	$ 43,767	$ 6,870
Unexpended appropriations:		
Beginning balances	$ 101,289,856	$ 101,098,058
Budgetary financing sources:		
Appropriations received	55,200,000	50,800,000
Appropriations transferred in/out	7,250,000	2,778,000
Other adjustments (rescissions, etc.)	(2,998,102)	(3,003,972)
Appropriations used	(56,110,429)	(50,382,230)
Total budgetary financing sources	3,341,469	191,798
Total unexpended appropriations	$ 104,631,325	$ 101,289,856
Net position	$ 104,675,092	$ 101,296,726

See accompanying notes to financial statements.

U.S. TRADE AND DEVELOPMENT AGENCY

Statements of Budgetary Resources

For the years ended September 30, 2010 and 2009

		FY 2010		FY 2009
Budgetary resources:				
Unobligated balance, brought forward, October 1	$	6,330,098	$	7,429,651
Adjustment to beginning balance brought forward		10,261		—
Recoveries of prior year unpaid obligations		5,001,677		3,031,220
Budget authority:				
Appropriations		55,200,000		50,800,000
Spending authority from offsetting collections:				
Collected		—		78,900
Change in receivables from federal sources		26,925		
Advance received		—		(78,900)
Nonexpenditure transfers		7,250,000		2,778,000
Permanently not available:				
Cancellation of expired accounts		(2,998,103)		(3,003,972)
Total budgetary resources	$	70,820,858	$	61,034,899
Status of budgetary resources:				
Obligations incurred:				
Direct (Note 7)	$	64,130,570	$	54,704,800
Unobligated balance available:				
Apportioned (Notes 2 & 8)		2,889,608		3,520,756
Unobligated balance not available (Note 2)		3,800,680		2,809,343
Total status of budgetary resources	$	70,820,858	$	61,034,899
Change in obligated balance:				
Unpaid obligations, brought forward, October 1	$	102,101,873	$	100,977,582
Adjustment to unobligated balance brought forward		(10,261)		—
Obligations incurred		64,130,570		54,704,800
Less: Gross outlays		(54,659,990)		(50,549,289)
Less: Recoveries of prior years' obligations		(5,001,677)		(3,031,220)
Obligated balance, – end of the period		106,560,515		102,101,873
Less: Uncollected customer payments from federal sources		(26,925)		—
Obligated balance, net – end of the period (Note 9)	$	106,533,590	$	102,101,873
Net Outlays:				
Gross outlays	$	54,659,990	$	50,549,289
Less: Offsetting collections		—		—
Net outlays	$	54,659,990	$	50,549,289

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The U.S. Trade and Development Agency (USTDA or the Agency) is an independent U.S. government agency administered under the authority of Section 661 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2421).

The USTDA helps U.S. companies create jobs through export of U.S. goods and services for priority development projects in emerging economies. USTDA links U.S. businesses to export opportunities by funding project planning activities, pilot projects, and reverse trade missions while creating sustainable infrastructure and economic growth in partner countries.

The organization was established on July 1, 1980 as the U.S. Trade and Development Program (TDP) by delegation of authority as a component of the International Development Cooperation Agency (IDCA). In 1988, under the Omnibus Trade and Competitiveness Act, the organization was a separate component agency of IDCA. On October 28, 1992, the Jobs Through Exports Act of 1992 established USTDA as an independent agency under the foreign policy guidance of the Secretary of State.

(b) Basis of Presentation

These financial statements have been prepared to report the financial position, net costs, changes in net position, and budgetary resources of USTDA, as required by its authorizing legislation (Public Law 102-549, Title II). These financial statements include all activity related to USTDA's appropriation (No. 11-1001) and reimbursable interagency agreements, whereby USTDA receives transfers from other federal agencies for use in specific regions or sectors.

(c) Budgets and Budgetary Accounting

Congress annually adopts a budget appropriation that provides USTDA with authority to use funds from the U.S. Treasury to meet operating and program expense requirements. All revenue received from other sources, except for appropriations transferred from other federal agencies, must be returned to the U.S. Treasury.

(d) Basis of Accounting

USTDA's Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual basis of accounting. This basis requires recognition of the financial effects of transactions, events, and circumstances in the periods when those transactions, events, and circumstances occur, regardless of when cash is received or paid. USTDA also uses budgetary accounting to facilitate compliance with legal constraints and to track its budget authority at the various stages of execution, including commitments, obligation, and eventual outlay. The Statement of Budgetary Resources is prepared using budgetary accounting methods.

The standards used in the preparation of the accompanying financial statements are issued by the Federal Accounting Standards Advisory Board, which represent accounting principles generally accepted in the United States of America for U.S. government entities.

(e) Revenue and Other Financing Sources

During FY 2009 and FY 2010, USTDA received a two-year appropriation to be used for program and administrative expenses, which are available for obligation through September 30, 2010 and 2011, respectively. These funds were issued in accordance with Section 7011 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2009 and 2010 ("The Act"). The Act allows de-obligated funds that were initially obligated prior to their expiration to remain available for re-obligation for an additional 4 years from the date on which the availability of such funds would otherwise have expired. The reprogramming of funds properly obligated in FY 2009, begins with de-obligations of such funds that occur after September 30, 2010. No funds were reprogrammed during FY 2010.

Funds transferred from the U.S. Agency for International Development (USAID) for Support for East European Democracy Act (SEED), Economic Support Funds (ESF), and the Freedom Support Act (FSA) during FY 2002-2005, are available for reobligation in the manner described in the preceding paragraph. SEED, ESF, and FSA funds for FY 1999-2001 that were initially obligated prior to their expiration remain available for re-obligation until expended.

Appropriations are recognized as a financing source at the time they are authorized and apportioned. Appropriations used to fund grant activities and administrative expenses are recognized as expenses and revenues as the resultant related expenses are incurred.

(f) Fund Balance with Treasury

USTDA does not maintain cash in commercial bank accounts. The U.S. Treasury processes cash receipts and disbursements. The balance of funds with Treasury primarily represents appropriated funds that are available to pay current liabilities and finance authorized purchase commitments relative to goods or services.

(g) Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. USTDA capitalizes property and equipment with an acquisition cost greater than $5,000 and useful life exceeding one year. Depreciation is calculated using the straight-line method and is based on an estimated useful life of 10 years for all assets, except computer equipment and software, which is depreciated over 5 years. Leasehold improvements are amortized over the estimated period of occupancy or the life of the improvement, whichever is less. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

(h) Liabilities

Liabilities represent amounts owed by USTDA as the result of transactions or events that have occurred as of fiscal year end. Liabilities covered by budgetary or other resources are those liabilities for which Congress has appropriated funds or funding is otherwise available to pay amounts owed. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available, congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding. There is no certainty that Congress will appropriate funds to satisfy such liabilities.

USTDA has no capital leases. Regarding its building lease, the General Services Administration (GSA) entered into a lease agreement for USTDA's rental of building space. USTDA pays GSA a standard-level users' charge for the annual rental. The standard-level users' charge approximates the commercial rental rates for similar properties. Average annual rent expense and related charges are approximately $1.5 million through 2012.

(i) Undelivered Orders

Undelivered orders represent the amount of orders for goods and services outstanding for which funds have been obligated, but the liabilities have not been incurred.

(j) Accrued Leave

Annual leave is accrued as a liability as it is earned. The liability is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates. To the extent that the current or prior year appropriations are not available to fund annual leave earned, but not taken, funding will be obtained from future appropriations. USTDA's handling of annual leave earned, but not taken is compliant with established regulations. Sick leave and other types of non-vested leave are charged to expense as the leave is used.

(k) Cumulative Results of Operations

Cumulative results of operations represent the difference between net property and equipment and unfunded annual leave, plus the net difference between expenses and financing sources since the inception of an activity.

(l) Retirement Plan

USTDA's employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). Employees participating in CSRS contribute 7.0% of their gross pay to the plan, and USTDA contributes 8.51%. The cost of providing a CSRS benefit, which is 30.1% as computed by the Office of Personnel Management (OPM), is more than the amounts contributed by USTDA and its employees. In accordance with Statement of Federal Financial Accounting Standard (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government*, USTDA reports the full cost of providing pension benefits to include the cost financed by OPM.

On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983 are automatically covered by FERS and the Social Security Act. Employees hired prior to January 1, 1984 could elect either to join FERS and the Social Security Act or remain in CSRS. A primary feature of FERS is that it offers a savings plan in which USTDA automatically contributes 1% of employees' pay and matches any employee contribution up to an additional 4% of basic pay. For most employees hired since December 31, 1983, USTDA also contributes the employer's matching share under the Social Security Act. For the FERS basic benefit, the employees contribute 0.8% of their basic pay while USTDA contributes 11.2% for a total contribution rate of 12%. The cost of providing a FERS benefit, as computed by OPM is 13.8%.

The total amount of imputed financing for retirement and other post-retirement benefits paid by OPM for FY 2010 amounted to $391,660 which includes $162,535 for pension cost for CSRS and FERS; $228,365 for the Federal Employees Health Benefit Program (FEHP); and $760 for Federal

Employees Group Life Insurance (FEGLI). These amounts are included in USTDA's FY 2010 financial statements. In FY 2009, OPM funded $313,149 to pension, health, and life insurance benefits on behalf of USTDA's employees.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of CSRS and FERS is not allocated to individual departments and agencies and is therefore not disclosed by USTDA. The reporting of these amounts is the responsibility of OPM. USTDA has properly computed this amount and recorded a liability for it.

USTDA paid approximately $446,690 and $445,670 for retirement system coverage for its employees during FY 2010 and FY 2009, respectively.

(m) Use of Estimates

Management has made certain estimates and assumptions when reporting in these financial statements on assets and liabilities. They are also used in expenses and note disclosures. Actual results could differ from these estimates. Significant estimates underlying the accompanying financial statements include depreciable lives of property and equipment with no residual value, and the grants payable accrual. USTDA uses a ratio of the average of accounts payable to unpaid obligations over a three year period and applies the resulting percentage to calculate the current year's estimate of accounts payable.

(2) Fund Balance with Treasury

Fund Balance with Treasury represents USTDA's undisbursed budgetary authority and funds to be returned to Treasury at September 30, 2010 and 2009, as follows:

		FY 2010		FY 2009
Fund balances:				
Appropriated funds	$	113,223,878	$	108,431,972
Miscellaneous receipts		28,126		424,647
Total	$	113,252,004	$	108,856,619
Status of Fund Balance with Treasury:				
Unobligated balance:				
Available	$	2,889,608	$	3,520,756
Unavailable		3,800,680		2,809,343
Obligated balance not yet disbursed		106,533,590		102,101,873
Non-budgetary		28,126		424,647
Total	$	113,252,004	$	108,856,619

Unobligated fund balances are either available or not available. Amounts are reported as not available when they are no longer legally available to USTDA for obligation. However, balances that are currently reported as not available can change over time, because they may be used to increase the amount of the initial obligation to cover additional expenditures that relate to these obligations.

(3) Receivables and Other Assets

Receivables and other assets at September 30, 2010 and 2009 consist of the following components:

		FY 2010		FY 2009
Accounts receivable, net	$	26,925	$	72,059
Advances and prepayments		—		385,596
Total Receivable and Advances	$	26,925	$	457,655

The accounts receivable reported represent erroneous charges made by other agencies against USTDA's appropriation as of September 30, 2010. The proper agencies will be charged in the next fiscal year. Accounts receivable as of September 30, 2009 represented the net amount due as a result of the close-out of one grant in FY 2008.

Advances and prepayments as of September 30, 2009 represented amounts provided to Multilateral Development Banks for costs related to various project planning activities funded by USTDA. These advances and prepayments have been fully liquidated as of September 30, 2010.

(4) Property and Equipment, Net

Property and equipment and related accumulated depreciation balances at September 30, 2010, and 2009 are as follows:

FY 2010

Class of Asset	Service life	Acquisition value	Accumulated depreciation/ amortization	Net book value
Computer Equipment	5 years	$ 453,200	211,136	242,064
Furniture and Fixtures	10 years	232,468	146,699	85,769
Computer Software	5 years	5,046	505	4,541
Other Equipment	10 years	243,668	137,096	106,572
Leasehold Improvement	8 years	113,182	35,043	78,139
Total property and equipment		$ 1,047,564	530,479	517,085

FY 2009

Class of Asset	Service life	Acquisition value	Accumulated depreciation/ amortization	Net book value
Computer Equipment	5 years	$ 397,107	149,339	247,768
Furniture and Fixtures	10 years	178,769	140,251	38,518
Computer Software	5 years	11,721	11,721	—
Other Equipment	10 years	234,256	141,715	92,541
Leasehold Improvement	8 years	20,255	13,925	6,330
Total property and equipment		$ 842,108	456,951	385,157

Depreciation expense for fiscal years ended September 30, 2010 and 2009 is $129,218 and $98,426, respectively.

During FY 2010 and 2009, USTDA purchased property and equipment in the amount of $264,925 and $226,213, respectively. In addition, during FY 2010, USTDA disposed of property that cost $59,470, with related accumulated depreciation amounting to $55,691.

(5) Liabilities

Total liabilities represent the sum of liabilities not covered by budgetary resources, and those covered by budgetary resources. As of September 30, 2010 and 2009, total liabilities were as follows:

		FY 2010		FY 2009
Intragovernmental liabilities:				
Liabilities not covered by budgetary resources:				
Miscellaneous receipts to be returned to Treasury	$	28,126	$	424,647
Liabilities covered by budgetary resources:				
Accounts payable		74,007		96,413
Total intragovernmental liabilities	$	102,133	$	521,060
Other liabilities:				
Liabilities not covered by budgetary resources:				
Accrued annual leave	$	473,318	$	450,346
Liabilities covered by budgetary resources:				
Accounts payable		8,087,922		6,979,796
Accrued payroll		457,549		451,503
Total other liabilities		9,018,789		7,881,645
Total Liabilities	$	9,120,922	$	8,402,705

All liabilities other than unfunded accrued leave are considered to be current liabilities. $7.8 million of the accounts payable balance as of September 30, 2010 relates to grants payments owed but unpaid. This balance was $6.2 million as of September 30, 2009.

(6) Intragovernmental Costs and Exchange Revenue

Program costs for fiscal years ended September 30, 2010 and 2009 consist of the following:

Grants Program		FY 2010		FY 2009
Intragovernmental costs	$	3,701,368	$	3,077,059
Public costs		52,763,824		47,973,827
Total grant program costs		56,465,192		51,050,886
Intragovernmental earned revenue		—		(78,900)
Net grant program costs	$	56,465,192	$	50,971,986

Costs incurred by USTDA in FY 2010 and FY 2009, that do not require resources were not assigned to the grants program.

(7) Apportionment Categories of Obligations Incurred

During the years ended September 30, 2010 and 2009, funds were obligated in the following categories:

Obligations		FY 2010		FY 2009
Category A – funds that are obligated for operating expenses	$	14,292,885	$	11,752,928
Category B – funds that are obligated for program activities		49,837,685		42,951,872
Total obligations incurred	$	64,130,570	$	54,704,800

(8) Unobligated Balances Available – Apportioned

Total available unobligated balance of budget authority at September 30, 2010 and 2009 consist of the following.

		FY 2010		FY 2009
Unrestricted no-year funds	$	325,959	$	325,959
Funds transferred from USAID for feasibility studies and related activities in the New Independent States (NIS), and Support for Eastern European Democracy (SEED)		304,498		325,170
Funds transferred from USAID for feasibility studies and related activities in the New Independent States (FSA no-year funds)		150,841		704,893
Total no-year funds	$	781,298	$	1,356,022
Funds transferred from USAID for feasibility studies and related activities in the NIS (FSA funds)		—		127,402
USTDA core budget two-year appropriations		2,108,310		2,037,332
Total unobligated and available appropriations	$	2,889,608	$	3,520,756

All funds transferred from USAID were appropriation transfers. USTDA did not receive any allocations during FY 2010.

(9) Undelivered Orders

At September 30, 2010 and 2009, undelivered orders balances consisted of the following**:**

Purpose		FY 2010		FY 2009
Obligated balance at the end of the period	$	106,533,590	$	102,101,873
Accounts payable (covered by budgetary resources)		(8,619,478)		(7,527,712)
Undelivered orders	$	97,914,112	$	94,574,161

(10) Permanent Indefinite Appropriations

No-year funds at September 30, 2010 and 2009 exist for the following purposes:

Purpose		FY 2010		FY 2009
General program activities	$	325,959	$	325,959
Freedom Support Act (FSA) transfer funds for feasibility studies and activities in the NIS		150,841		704,893
Support for feasibility studies and activities (SEED)		304,498		325,170
Total permanent indefinite appropriations	$	781,298	$	1,356,022

(11) Reconciliation of Net Cost to Budget

The following schedule reconciles resources available to USTDA to finance operations and the net cost of operating for fiscal years ended September 30, 2010 and 2009:

	FY 2010	FY 2009
Resources used to finance activities:		
Budgetary resources obligated	$ 64,130,570	$ 54,704,800
Adjustment to beginning balance brought forward	(10,261)	—
Recoveries of prior years obligations	(5,001,677)	(3,031,220)
Imputed financing for costs absorbed by others	391,660	313,149
Other	117,195	256,797
Total resources used to finance activities	$ 59,627,487	$ 52,243,526
Resources used to finance items not part of the net cost of operations:		
Change in budgetary resources obligated for goods and services ordered, but not received	$ (2,981,279)	$ (1,212,511)
Change in offsetting collections and receipts that do not affect the net cost of operations	—	(78,900)
Resources that finance the acquisition of assets	(264,925)	(226,213)
Adjustment for loss not realized	—	1,477
Loss on disposition of assets	3,779	18,181
Total resources used to finance items not part of the net cost of operations	$ (3,242,425)	$ (1,497,966)
Costs that do not require resources:		
Depreciation and amortization	$ 129,218	$ 98,426
Bad debt expenses	(72,060)	72,060
Costs that require resources in a future period:		
Increase in accrued leave liability	22,972	55,940
Total costs that do not require resources	$ 80,130	$ 226,426
Net cost of operations	$ 56,465,192	$ 50,971,986

U.S. TRADE AND DEVELOPMENT AGENCY

Other Accompanying Information

Intragovernmental Assets, Liabilities and Expenses

September 30, 2010

Intragovernmental Assets

Trading Partner	Partner #	Accounts Receivable	Fund Balance with Treasury
Department of the Treasury	20	$ —	$ 113,252,004
Department of State	19	8,609	—
Peace Corps	11	18,316	—
Total		$ 26,925	$ 113,252,004

Intragovernmental Liability

Trading Partner	Partner #	Accounts Payable	Fund to be Returned to Treasury
Department of the Agriculture	12	$ 3,000	$ —
Department of State	19	36,179	—
Department of the Treasury	20	—	28,126
U.S. Foreign Commercial Services	13	31,828	—
Department of Interior	14	3,000	—
Total		$ 74,007	$ 28,126

Intragovernmental Expense

Trading Partner	Partner #	Amount
Department of Agriculture	12	$ 3,000
Department of Defense	21	1,060
Department of the Interior (NBC)	14	1,809,819
Department of State	19	381,039
U.S. Foreign Commercial Services	13	60,613
General Services Administration	47	1,412,110
Department of Homeland Security	70	21,167
Office of Personnel Management	24	1,513
National Archives	88	1,051
U.S. Postal Service	18	9,996
Total		$ 3,701,368

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Independent Auditors' Report on Internal Control Over Financial Reporting

The Director
U.S. Trade and Development Agency:

We have audited the balance sheets of the U.S. Trade and Development Agency (USTDA) as of September 30, 2010 and 2009 and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 12, 2010.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the USTDA is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2010 audit, we considered the USTDA's internal control over financial reporting by obtaining an understanding of the USTDA's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the USTDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the USTDA's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we have reported to management of the USTDA in a separate letter dated November 12, 2010.

This report is intended solely for the information and use of the USTDA's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 12, 2010

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Compliance and Other Matters

The Director
U.S. Trade and Development Agency:

We have audited the balance sheets of the U.S. Trade and Development Agency (USTDA) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 12, 2010.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the USTDA is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the USTDA. As part of obtaining reasonable assurance about whether the USTDA's financial statements are free of material misstatement, we performed tests of the USTDA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the USTDA. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of certain of our tests of compliance described in the preceding paragraph disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, and are described below.

We noted certain additional matters that we have reported to management of the USTDA in a separate letter dated November 12, 2010.

This report is intended solely for the information and use of the USTDA's management, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 12, 2010