U.S. Trade and Development Agency

Performance and Accountability Report

FISCAL YEAR 2012

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U.S. Trade and Development Agency

FY 2012 Performance and Accountability Report

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Director's Message

It is my pleasure to present the U.S. Trade and Development Agency's (USTDA or the Agency) Performance and Accountability Report (PAR) for FY 2012. This report sets out the results of the Agency's strong program performance and sound financial management over the past year. During the past fiscal year, USTDA continued to demonstrate both the importance of its unique mission and its ability to achieve outstanding results.

Through a combination of new and time-tested programs, USTDA continued to place emphasis on programs that increased exports of U.S. manufactured goods and services while supporting the development of sustainable infrastructure in our partner countries. Key sectors for USTDA programming remained energy (with a continued focus on clean energy and energy efficiency), transportation, information and communication technologies and environmental infrastructure projects abroad. With a mission dually focused on exports and development, USTDA proved, once again, that it is well positioned to respond to President Obama's call to double exports by 2015.

In FY 2012, USTDA identified many new export successes resulting from the Agency's investments. Overall, USTDA increased its export multiplier to a ratio of 63 to 1, meaning that for every dollar the Agency programmed, $63 in U.S. exports were generated, up from $47 in FY 2010. As part of our continuing evaluation of our past activities and current program, USTDA also identified $2.2 billion in new export successes this year, bringing our total exports generated to date to nearly $42.9 billion. Given this history of success, I am confident that USTDA will continue to play an important role in opening foreign markets to increased U.S. exports while encouraging economic development in our partner countries.

The following highlights represent just a few of USTDA's FY 2012 accomplishments.

Aviation Programs and Initiatives

As a result of the Agency's extremely successful aviation cooperation programs in both China and India, USTDA continues to receive numerous requests from U.S. industry to launch similar programs in specific high-growth markets around the world. In FY 2012, in response to the ongoing industry interest, USTDA established two new programs: the U.S.-Brazil Aviation Partnership, and the Aviation Initiative for South Africa.

The U.S.-Brazil Aviation Partnership is a public-private partnership initiated by and through USTDA that brings U.S. companies together with the U.S. and Brazilian governments to address strategically critical infrastructure and other development projects. This Partnership gives both governments an important private sector resource to draw from to help with key development issues. This Partnership was launched during Brazilian President Rousseff's visit to the United States and was considered a key example of the growth of this important bilateral commercial cooperation. It will also generate numerous business opportunities for U.S. companies, as Brazil continues to invest heavily in its aviation sector.

The Aviation Initiative for South Africa will leverage the expertise and resources of the private sector, both in the United States and South Africa, to build the human capacity and infrastructure needed to strengthen the aviation sector. In addition, the Initiative aims to build business relationships and position U.S. industry for significant procurement opportunities in South Africa's dynamic aviation market.

Making Global Local and the President's Export Council (PEC)

Making Global Local is a new initiative designed to connect towns and cities across the country with USTDA's export-promoting programs. The aim of Making Global Local is to increase the number of U.S. businesses that are benefitting from the Agency's programs to expand exports to emerging markets and create high-paying jobs in their communities. To accomplish this goal, USTDA is forging new and innovative partnerships with business development and trade promotion organizations. Within months of its launch, USTDA established valuable relationships with local chambers of commerce, local trade centers, and other trade promoting organizations in communities across the United States.

The goal of Making Global Local directly supports the PEC's objectives of promoting intergovernmental collaboration and information and best practice sharing among Federal, state and local governments, to better serve the needs of small and medium-sized enterprises, and to highlight on a local level the importance of promoting American goods and services globally.

U.S. - ASEAN Connectivity Cooperation Initiative

USTDA's relationship with the Association of Southeast Asian Nations (ASEAN) continues to flourish, as the economies in the ASEAN region are growing rapidly. The International Monetary Fund World Economic Outlook projects 6.1 percent growth in the ASEAN region, which will drive investment and present enormous opportunity for U.S. exports. To take advantage of this growth and in support of the Administration's greater focus on economic and business engagement with the region, the private sector and an interagency working group requested that USTDA take the lead in the development and implementation of the U.S.-ASEAN Connectivity Cooperation Initiative, which was announced by President Obama in November 2011. This partnership between the U.S. government and U.S. industry is playing a vital role in accelerating the region's economic integration while opening markets for increased exports of U.S.-manufactured goods and services.

The Connectivity Initiative is designed to support ASEAN's goal of achieving an economically integrated ASEAN Community by 2015, and through its efforts will strengthen the mutually beneficial relationship between the United States and ASEAN. Leveraging U.S. private sector resources and expertise, USTDA is working with U.S. companies and ASEAN partners to support activities that foster effective new partnerships between private sector and government entities to increase connectivity and investment in the energy, transportation, and telecommunications sectors.

In closing, I wish to thank the entire USTDA staff. USTDA is fortunate to have dedicated and knowledgeable professionals who possess strong technical skills and experience. Their tireless work enables our agency to leverage our resources and achieve results.

/s/ Leocadia I. Zak

Director
U.S. Trade and Development Agency

U.S. Trade and Development Agency
Management's Discussion and Analysis

USTDA at a Glance

USTDA is an independent U.S. government agency established under the Jobs Through Exports Act, Section 661 of the Foreign Assistance Act of 1961, as amended (22 U.S.C. § 2421). USTDA carries out its mission through a variety of tools, including reverse trade missions (RTM) and project planning activities, such as grants to overseas project sponsors who, in turn, select U.S. companies to perform the USTDA-funded activities. While USTDA activities can span a wide variety of sectors, the Agency focuses on energy, particularly clean energy, transportation, and telecommunications.

USTDA funds projects that have a high probability of implementation, generating U.S. exports and achieving positive developmental benefits. The Agency looks for projects that are mutually beneficial for the host country and the U.S. business community, and evaluates the priority of the project to the project sponsor and the likelihood of receiving implementation financing.

USTDA also considers a project's potential adverse environmental implications by ensuring that provision is made for a preliminary environmental impact assessment in all USTDA-funded grant activities.

Essential to the success of USTDA is outreach to the U.S. business community, with a particular focus on helping small businesses take advantage of trade and investment opportunities in emerging markets.

Mission Statement

USTDA 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.

Organizational Structure

The Agency is divided into five geographic regions that manage USTDA's program activities: Latin America and the Caribbean: East Asia and Eurasia; Sub-Saharan Africa; Middle East and North Africa and Europe; and South and South East Asia. These Program Offices are supported by the following Offices: General Counsel, Finance, Information Technology, Contracts, Grants Administration, Congressional Affairs and Public Relations, Program Evaluation, Administration, and an Information Resources Center.

Performance Goals, Objectives 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. On January 4, 2011, *The GPRA Modernization Act of 2010*, P.L. 111-352, was passed. This law enhances and expands the reporting requirements of

GPRA by requiring quarterly performance assessments of programs in assessing USTDA's performance and improvement.

USTDA focuses on meeting stated goals and objectives in its current Strategic Plan covering the 2008-2012 time period. See www.ustda.gov/otherinfo/USTDAStrategicPlan2008_2012.pdf for a copy of USTDA's strategic plan.

Every year USTDA conducts an extensive review of its ongoing programs and projects to determine the Agency's overall effectiveness and responsiveness to its various stakeholders. In FY 2012, USTDA continued to pursue a more targeted approach to delivering assistance and streamlined the Agency's country and sector focus. USTDA highlighted 20 priority countries (out of 133 countries eligible for USTDA assistance), three priority sectors, and one additional sector of special consideration added mid-year, which offered the best prospects for U.S. exports, job growth, and overseas economic development. The results of pursuing a more focused strategy once again exceeded the Agency's expectations. In addition to the developmental benefits resulting from USTDA projects, the Agency's success is seen in the increase of exports generated per dollar programmed from 58 in FY 2011 to 63 by the close of FY 2012, meaning that every dollar the Agency invested in its program is now generating $63 in U.S. exports.

FY 2012 proved to be an impressive year for USTDA. Although the Agency faced budgetary constraints amid growing demands for assistance, USTDA demonstrated its ability to pursue a strategic agenda that balanced the Administration's foreign policy and development priorities with the need to support U.S. exports and jobs. For the last three fiscal years, USTDA has narrowed the focus of its program to target key strategic markets and priority industry sectors to establish a larger footprint for the Agency in these markets, and also to maximize the benefits of USTDA's program for U.S. companies and the developing and middle-income countries in which the Agency operates. In FY 2012, USTDA produced outstanding results in terms of increasing its export multiplier, identifying new project successes, supporting over 55 new RTMs, and demonstrating its willingness to take the lead and launch new programs to help the U.S. government meets its strategic objectives.

FY 2012 Strategic Investments (percent is of total program obligations)	Overall Success Rates
Priority Countries: $34.7M (79%)	Export Multiplier: 63 to 1
Information & Communications Technologies: $4.3M (10%)	New Exports Identified: $2.2B
Transportation: $17.4M (40%)	Total Exports to Date: $42.9 B
Clean Energy/Energy Efficiency: $16.3M (37%)	
Water and Environment: $2.7M (6%)	

USTDA invested 79 percent of its total program obligations in its 20 priority countries in FY 2012. With respect to the FY 2012 priority sectors, transportation sector investments increased from 27 percent of FY 2011 total program obligations to 40 percent of FY 2012 total program obligations. USTDA's investments in the water and environment sector, which was elevated to a sector of special consideration for the Agency in the middle of FY 2012, also increased from 3 percent of 2011 total program obligations to 6 percent of FY 2012 total program obligations. With these increased investments, particularly in the transportation sector, it is reasonable to expect that the clean energy and energy efficiency sectors experienced a slight decline from 38 percent of FY 2011 total program obligations to 37 percent of FY 2012 total program obligations. In the ICT sector, USTDA's investments for FY 2012 declined to 10 percent of its total program obligations, compared to 19 percent of total program obligations in FY 2011. Overall, USTDA increased its obligations in its priority sectors in FY 2012, investing 93 percent of its total program obligations in its priority sectors in FY 2012 compared to 87 percent in FY 2011.

By focusing its resources on fewer countries, USTDA has been able to strengthen ties with the U.S. companies focused on these priority markets, their private sector counterparts and customers in the priority countries, and host country governments.

Analysis of Financial Statements

USTDA prepares annual financial statements in accordance with U.S. generally accepted accounting principles (GAAP) for Federal government entities and subjects the statements to an independent audit to ensure their integrity and reliability in assessing performance. The financial statements and notes are presented on a comparative basis in the required format in accordance with OMB Circular No. A-136, revised, *Financial Reporting Requirements*.

The following table summarizes the significant changes in USTDA's financial position between the end of FY 2011 and the end of FY 2012:

Financial Condition	FY 2012 Balance	FY 2011 Balance	Increase/ (Decrease)	Percentage Difference
Total Assets	$106,392,328	$107,816,895	($1,424,567)	(1.32 %)
Total Liabilities	$8,008,707	$7,913,295	$ 95,412	1.21%
Net Position	$98,383,621	$99,903,600	($1,519,979)	(1.52%)
Net Cost of Operations	$54,920,156	$53,123,988	$1,796,168	3.38 %
Budgetary Resources	$68,282,566	$62,622,027	$5,660,539	9.04%

Below is a brief description of the nature of each required financial statement and its relevance. Certain significant balances or conditions are explained, to elaborate on the impact on USTDA's operations. Readers are encouraged to gain a deeper understanding by reviewing USTDA's financial statements and notes to the accompanying audit report presented in the Financial Section of this report.

Balance Sheet

The accompanying balance sheet as of September 30, 2012, reports a net position of approximately $98.4 million. Specifically, USTDA's total assets are approximately $106.4 million primarily comprised of fund balance with Treasury of approximately $105.9 million. The total assets as of September 30, 2012 decreased by approximately $1.4 million from September 30, 2011. The decrease was primarily due to a decrease in fund balance with Treasury of $1.5 million.

Total liabilities reported are approximately $8 million and are comprised of approximately $7 million of accounts payable, of which approximately $6.1 million relates to grant payments owed, but unpaid, as of September 30, 2012. Total liabilities as of September 30, 2012 increased by approximately $0.1 million during FY 2012. The increase was primarily due to an increase in intra-governmental liabilities for miscellaneous receipts to be returned to Treasury and accounts payable.

Statement of Net Cost

USTDA's net cost of operations for the year ended September 30, 2012 amounted to approximately $54.9 million. Net cost of operations increased by approximately $1.8 million in FY 2012, due to increased grant activity.

Statement of Budgetary Resources

The budgetary resources for FY 2012 increased by $5.7 million from FY 2011, due primarily to the receipt of transfer funds in the amount of $3.7 million from the U.S. Agency for International Development (USAID) and $1.4 million less in cancellation of expired funds.

Analysis of USTDA's Systems, Control and Compliance with Statutes and Directives

Data and Financial System Assessment

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; implements corrective actions to address control deficiencies raised by independent auditors; 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 Statements on Standards for Attestation Engagements No. 16 (SSAE 16), *Reporting on Controls at a Service Organization*, issued by the American Institute of Certified Public Accountants (AICPA). NBC's independent public accounting firm issued an unqualified opinion for the period July 1, 2011 through June 30, 2012. Accordingly, NBC was able to provide USTDA with assurance that the description of controls in the FY 2012 report presents fairly the operating effectiveness of the NBC controls that were in place as of September 30, 2012 as they relate to key controls relied upon by USTDA. 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.

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) is implemented by OMB Circular A-123, revised, *Management's Responsibility for Internal Control* and OMB Circular A-127, *Financial Management Systems*. The objectives FMFIA are to ensure that USTDA's controls and systems provide reasonable assurance that:

- obligations and costs are in compliance with applicable laws;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation;

- revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over assets; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

USTDA management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. Accordingly, USTDA conducts risk assessments and internal control reviews to ensure the objectives mentioned above are achieved.

Section 2 of the FMFIA requires federal agencies to report, on the basis of annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls. The reviews that took place during FY2012 provide unqualified assurance that USTDA's systems and management controls comply with the requirements of the FMFIA.

Section 4 of the FMFIA requires that agencies annually provide assurance on programmatic internal controls and financial management systems, and effectiveness of internal control over financial reporting. USTDA evaluated its financial management systems in accordance with the FMFIA and OMB Circular A-127, as applicable. The results of management reviews provide unqualified assurance under Section 4 of the FMFIA that USTDA's financial systems controls generally conform to the principles and standards required.

Finally, in accordance with the Accountability of Tax Dollars Act of 2002 (ATDA), the Agency's financial information is audited annually. The results of the audit are considered by USTDA in its assessment of whether or not the objectives of FMFIA are being met.

U. S. TRADE AND DEVELOPMENT AGENCY

Annual Assurance Statement on Internal Control

USTDA's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the 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, 2012 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, 2012 was operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

/s/ Leocadia I. Zak

Director

July 20, 2012

Date

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Accountability of Tax Dollars Act

The Accountability of Tax Dollars of 2002 (ATDA) requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular No. A-136, *Financial Reporting Requirements*, enables agencies to consolidate their audited financial statements and other financial and performance reports into one report, the PAR. This report meets the requirements of the ATDA.

Government Performance and Results Act

The Government Performance and Results Act of 1993 (GPRA) requires a recurring cycle of performance reporting for federal agencies. This cycle involves five-year strategic plans, annual performance plans, and annual program performance reports. USTDA's annual performance report is combined with its annual financial statements in this PAR.

GPRA Modernization Act

On January 4, 2011, the GPRA Modernization Act of 2010, P.L. 111-352, was passed. This law enhances and expands the reporting requirements of GPRA by requiring quarterly performance assessments of programs in assessing USTDA's performance and improvement.

Federal Information Security Management Act

The Federal Information Security Management Act of 2002 (FISMA) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. The Agency's information security program includes a process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in its information security policies, procedures, and practices.

During FY 2012, USTDA maintained its information security program by (1) providing annual information security awareness training to its user community, including contractors; (2) performing annual assessments on its major information systems, incorporating the testing of management, operational, and technical security controls; (3) maintaining the process for planning, implementing, evaluating, and documenting remedial action to address any deficiencies in the information security policies, procedures, and practices; (4) maintaining procedures for detecting, reporting, and responding to security incidents, consistent with standards and guidelines issued by the OMB and the National Institute of Standards and Technology (NIST); and (5) applying secure configuration baselines from NIST, based on functional requirements.

Improper Payments Elimination and Recovery Act

The Improper Payments Information Act of 2002 (IPIA) requires federal agencies to identify and report on significant payment programs that are susceptible to improper payments. The Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires the development of policies and procedures for the prevention and detection of improper payments in the federal government. IPERA expands on IPIA by, among other things, requiring an initial assessment to identify those programs that are susceptible to significant risk of improper payments.

USTDA reviewed its operations, identifying three categories of activities which the Agency undertakes:

(1) Project Development Program
(2) International Business Partnership Program and;
(3) Agency Support Contracts (exclusive of payments to federal agencies).

USTDA assessed each program to determine which, if any, were susceptible to significant improper payments. In undertaking this analysis, USTDA's Finance Department reviewed every transaction processed during FY 2011. The results of that analysis did not find any significant improper payments that reached the level required for reporting by IPERA. Based on that review, the nature of USTDA's program and activities, and in view of USTDA's current recovery audit procedures, as well as USTDA's compliance with FMFIA as described above, the Agency has determined in accordance with IPERA that an expanded program of payment recapture audits would not be cost-effective within the meaning of IPERA.

Under the Project Development Program, USTDA funds grants to foreign project sponsors for the completion of U.S.-led feasibility studies, technical assistance or pilot projects. USTDA has in place internal controls making improper payments under its Project Development Program highly unlikely. With respect to such payments, disbursements are made only after submitted invoices containing certain certifications concerning the completion of a particular milestone have been received from the U.S. contractor performing the work, and from the foreign grantee for whom the work has been performed. The submitted invoice and certifications are reviewed and approved by USTDA program staff, and with respect to final invoices, by USTDA's Office of Grants Administration, prior to being authorized to be disbursed by the Finance Department. Furthermore, each grant and its underlying contract is retrieved by NBC and reviewed by a certified financial officer to verify vendor name, contract terms and performance periods before payment is validated for disbursement from the U.S. Treasury. At the end of the grant process, USTDA receives a final report and the Office of Grants Administration carefully reviews the final report to ensure that all of the tasks were completed at the level of detail required by the terms of reference to merit full grant payment. USTDA's grants are also subject to review by the Agency's audit program, which focuses on post-award audits that are performed by the Office of Grants Administration and/or by independent external auditors.

Activities under the International Business Partnership Program are implemented through a contract mechanism. Accordingly, for payments under the International Business Partnership Program and Agency Support Contracts, invoices are reviewed and approved at several levels, including by a certified Contracting Officer's Technical Representative, before transmittal to the Finance Department for processing. Each contract is retrieved by NBC and reviewed by a certified financial officer to verify vendor name, contract terms and performance periods before payment is validated for disbursement from the U.S. Treasury. In addition to the processes described above, from time to time, the Agency contracts with external auditors to review its processes and procedures.

Based on the results of the FY 2012 improper payments analysis and review, there were no significant improper payments. Although USTDA concluded its programs are not susceptible to improper payments as defined under IPERA, all three activities are reviewed as part of the OMB Circular A-123 *Internal Control Assessment and Testing Program* discussed above. The Agency reviews its controls and systems under FMFIA to ensure that it remains compliant.

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.

U.S. Trade and Development Agency Performance

Performance Objectives and Results

USTDA 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. The Agency is divided into five regions that manage USTDA's program funding commitments: Latin America and the Caribbean; East Asia and Eurasia; Sub-Saharan Africa; Middle East and North Africa and Europe; and South and South East Asia.

There were exceptional activities to highlight in FY 2012. USTDA launched new public-private partnerships in Brazil with its U.S. – Brazil Aviation Partnership, and in South Africa with its new Aviation Initiative. The U.S.-India Aviation Cooperation Program (ACP) connected the U.S. and Indian civil aviation industries and worked with the ACP's 30 U.S. private sector members and public partners to identify areas for technical collaboration. To date, U.S.-India ACP programs have generated approximately $340 million in U.S. exports. The Agency also hosted 35 RTMs (in addition to programming funding for 55 new RTMs) and sponsored nine additional new workshops that we anticipate will generate U.S. exports and facilitate partnerships between U.S. companies and USTDA's partner economies. These activities helped define USTDA's overall success in fulfilling its mission and they capture some of the best investments the Agency made in FY 2012.

In its ongoing effort to focus on emerging markets (developing- and middle-income countries) that offer the greatest potential for project success, growth for U.S. exports, developmental need, and market share growth for U.S. companies, the Agency has reduced the number of priority countries from 20 to 18 countries, in FY 2013. The priority countries are now as follows:

Region	Priority Countries
East Asia and Eurasia	China
Latin America and the Caribbean	Brazil, Chile, Colombia, Mexico, Panama
Middle East, North Africa and Europe	Egypt, Morocco, Romania, Turkey
South and Southeast Asia	India, Indonesia, Philippines, Vietnam
Sub-Saharan Africa	Ghana, Kenya, Nigeria, South Africa

Based on extensive analysis of the demand from the U.S. business community for USTDA assistance in priority countries, as well as a review of U.S. competitiveness in specific technologies, the Agency will continue its targeted sector approach. The priority sectors for FY 2013—energy, transportation, and telecommunications—(1) have proven capacity for increased U.S. exports and in turn job creation, (2) reflect the greatest demand from developing and middle-income countries, and (3) represent areas of U.S. private sector expertise and competitiveness. In addition to the three priority sectors, healthcare, including the pilot U.S. – China Healthcare Cooperation Program remains a sector of special consideration.

Also, USTDA will continue to support foreign policy priorities of the Administration by directing its funding to support the following efforts: the National Export Initiative (NEI); clean energy development and the President's Global Climate Change Initiative; and the President's Policy Directive for sub-Saharan Africa.

USTDA's Evaluation Measurements and Targets

USTDA maintains a robust Program Evaluation Office that is integrated into all individual project, management and policy decisions. The Program Evaluation Office (Evaluation Office) participates in each stage of USTDA's project life cycle; providing data and feedback regarding past results, anticipated outcomes, and proposed evaluation strategies during the initial activity development stage; conducting international evaluation of prior projects to inform USTDA's evaluation strategies and policies; and overseeing the work of an outside evaluation contractor that gathers data and documents the outcomes of USTDA's program.

USTDA has had extensive experience measuring the success of its activities against its commercial goals. There is no indication from either the Agency's internal evaluations team or its outside 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.

The measurements used by the Agency to determine whether its commercial objectives are being achieved include:

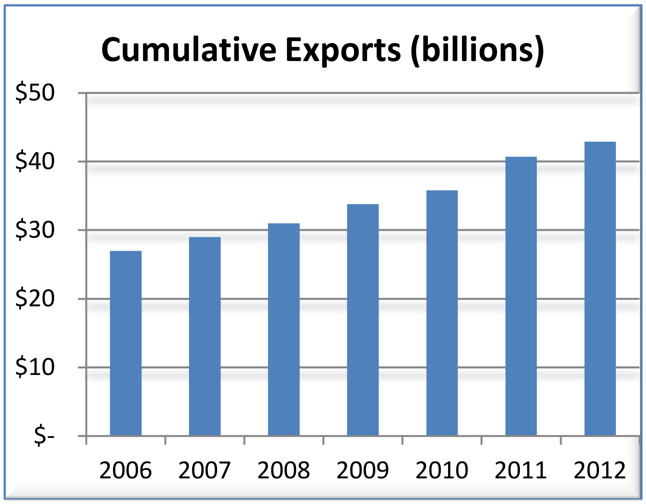
- Total Cumulative Exports: amount of exports associated with USTDA funded activities in any given time period.

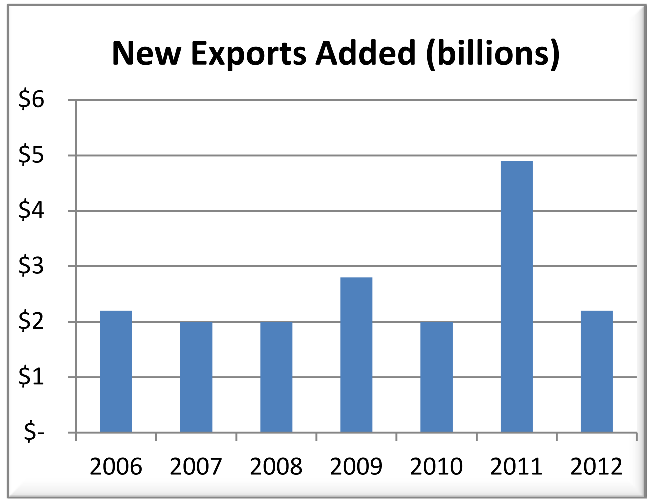
- Multiplier: quantifies the amount of exports generated for every USTDA program dollar obligated and thus is the export return on USTDA investments. In FY 2012, USTDA generated $63 in U.S. exports for every $1 in program funding. The multiplier is calculated using the Ten Year Rolling Average (TYRA) which is comprised of projects completed between 2000 and 2009. The TYRA is explained in greater detail in the Procedures to Ensure Performance Reporting section.

Total Cumulative Exports

This figure is generated by calculating the sum of total exports, documented in the USTDA database. Since its inception in 1981, USTDA's programs have helped generate more than $42.9 billion in U.S. exports. In FY 2012, USTDA identified $2.2 billion new exports attributed to USTDA supported projects.

U.S. Trade and Development Agency Performance



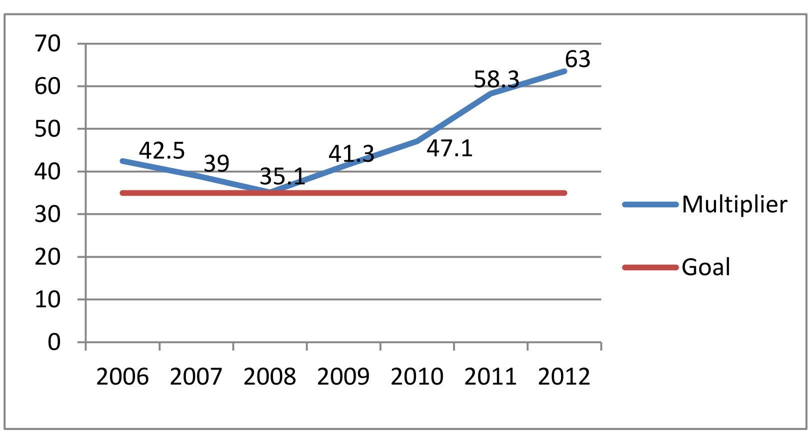


Export Multiplier Rate Calculation

The multiplier rate quantifies the amount of exports generated for every USTDA program dollar obligated. It is calculated by dividing the dollar value of U.S. exports USTDA identifies by the dollar value of USTDA's funding commitments. For the current TYRA, which contains projects completed between 2000 and 2009, USTDA has obligated $312.0 million to support foreign projects, which has helped to generate $19.7 billion in U.S. exports. Thus, for every $1 dollar of USTDA funding, $63 in U.S. exports are generated, which exceeds last year's multiplier rate of $58 and the multiplier for two years ago of $47. This increase is attributed partly to the Agency's support for longer term aviation and energy cooperative programs that have started to generate significant results. These programs consist of multiple focused activities over many years that coordinate efforts with US private industry on their long term commercial objectives.

Export Multiplier: $\frac{\$19.7 \text{ billion}}{\$312 \text{ million}} = \$63$

USTDA Multiplier 2006 – 2012 TYRAs



U.S. Trade and Development Agency Performance

Other Measurements

Small Business Impact
Over the past ten years, more than 72 percent of USTDA's activities have been awarded to small businesses. These project-related activities include FAR contracts, as well as grant program activities. 88% of FAR contracts and 43% of grant activities were awarded to small businesses.

Trade Capacity Building
Since 2001, USAID has performed an annual survey on behalf of the U.S. Trade Representative (USTR) to quantify trade capacity building (TCB) activities conducted by the U.S. government. TCB activities result in the growth of a developing country's ability to participate in international trade and commerce. Additionally, such activities help the U.S. government fulfill commitments made towards the Doha Development Agenda. As part of USTDA's responsibility as a foreign assistance agency of the U.S. government, USTDA reviews activities annually, classifies them in their appropriate TCB categories and reports them to USAID through an online database. In FY 2011, USTDA provided $13,412,745 in funding for TCB related activities. Over the past five years, 46 percent of USTDA's program funded obligations have supported TCB activities.

Procedures to Ensure Performance Measurement Reporting

There are a number of factors that lead to USTDA's results. USTDA's Evaluation Office strives to obtain information that validates whether and how USTDA's funding affected the outcomes identified. The information collected is intended to support organizational learning within USTDA and assist the Agency in documenting the relationship between its activities and its outcomes. The following parameters are used when compiling and generating export measures:

U.S. exports and U.S. content: U.S. exports attributed to USTDA's funding must have a credible and significant linkage to the USTDA-funded activity. USTDA defines U.S. exports as the (i) U.S. content associated with goods manufactured in the U.S. or (ii) services provided by U.S. companies. This definition enables USTDA to make the best estimation of its impact on U.S. jobs based on the U.S. export[1] attributed to its funding. This data supports the direct benefit that USTDA-funded activities bring in the creation of U.S. jobs and to U.S. companies.

[1]USTDA obtains U.S. content data most commonly from U.S. contractors, suppliers, host country project sponsors, financiers, and U.S. agencies involved in implementing projects.

Ten Year Rolling Average: The TYRA is a ten-year interval of time used to report the outcomes resulting from USTDA's program. The TYRA currently consists of all USTDA activities completed between years 2000-2009. Due to the nature of USTDA's funding – early project planning development – it is not common to experience immediate results from the Agency's activities. Large infrastructure projects take years to develop and complete. As such, this interval of time is used to capture meaningful and relevant representation of the results of USTDA's program funds. The last year of the TYRA (2009) is recent enough to influence Agency planning, but encompasses a sufficient time period to ensure USTDA funded activities have been evaluated at least once by USTDA's external contractor.

Type of Funding: USTDA funds projects by using its core funds, (those funds that Congress appropriates directly to USTDA), and in some instances, transfer funds provided by other government agencies such as USAID and the Department of State. Transfer funds often carry restrictions with respect to how the funding can be used (e.g., country limitations, industry priorities, or specific activities). Therefore, with the approval of OMB and in order to establish consistent evaluation criteria and performance measures, the Agency evaluates program results based on core funded activities only.

External Evaluation Contractors: USTDA hires an outside evaluation team (OET) to evaluate 400 USTDA projects annually (or roughly 40-50 percent of USTDA's projects open for evaluation). The OET provides a complete assessment of project outcomes, in terms of both exports and development impact measurements. These assessments are provided in individual project reports that present details about the individual U.S. companies that exported to USTDA-funded projects that are being implemented; how the USTDA funded work led to or contributed to project implementation; the reasons why a project did not move forward; information about the type of financing that was used; and the specific U.S. goods and services that were supplied. The OET individual project reports contain detailed information about the entities that were contacted during the individual project evaluations. In addition to these project reports, the OET provides a comprehensive final report that summarizes the findings associated with the cohort of 400 projects. After several annual assessments by the OET, if any outstanding questions remain, these are handled directly by USTDA's Evaluation Office.

Historically, USTDA has relied on a single OET to review the outcomes of USTDA projects annually. In FY 2012, USTDA strengthened its external evaluation system by beginning the process of selecting a second external evaluation contractor to supplement and improve this process.

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KPMG LLP
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1801 K Street, NW
Washington, DC 20006

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, 2012 and 2011, and the related statements of net cost, changes in net position, and statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2012 audit, we also considered the USTDA's internal control over financial reporting and tested the USTDA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that the USTDA's financial statements as of and for the years ended September 30, 2012 and 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

As discussed in our Opinion on the Financial Statements, the USTDA changed its presentation for reporting the Statement of Budgetary Resources in fiscal year 2012.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under *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.

The following sections discuss our opinion on the USTDA's financial statements; our consideration of the USTDA's internal control over financial reporting; our tests of the USTDA's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements; and management's and our responsibilities.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of the United States Trade and Development Agency as of September 30, 2012 and 2011, and the related statements of net cost, changes in net position, and the statements of budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Trade and Development Agency as of September 30, 2012 and 2011, 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.

As discussed in Note 1 to the financial statements, the USTDA changed its presentation for reporting the Statement of Budgetary Resources in fiscal year 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the USTDA's Statement of Budgetary Resources for fiscal year 2011 has been adjusted to conform to the current year presentation.

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

Internal Control Over Financial Reporting

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 Responsibilities section 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 2012 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), 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.

The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, 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.

The results of our tests of FFMIA disclosed no instances in which the USTDA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

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Responsibilities

Management's Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control over financial reporting; and complying with laws, regulations, contracts, and grant agreements applicable to the USTDA.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2012 and 2011 financial statements of the USTDA 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 OMB Bulletin No. 07-04. 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; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2012 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*.

As part of obtaining reasonable assurance about whether the USTDA's fiscal year 2012 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, including the provisions referred to in Section 803(a) of FFMIA. 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 laws, regulations, contracts, and grant agreements was not an objective of our audit and, accordingly, we do not express such an opinion.

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 7, 2012

U.S. Trade and Development Agency
Balance Sheets
As of September 30, 2012 and 2011

Assets	**2012**	**2011**
Intragovernmental:		
Fund balance with Treasury (Note 2)	$ 105,936,940	$ 107,439,008
Total intragovernmental	105,936,940	107,439,008
Accounts receivable (Note 3)	130	88
General property and equipment, net (Note 4)	455,258	377,799
Total assets	$ 106,392,328	$ 107,816,895
Liabilities and Net Position		
Liabilities		
Intragovernmental:		
Accounts payable (Note 5)	$ 410,012	$ 270,000
Other liabilities (Notes 2 & 5)	344,960	11,674
Total intragovernmental	754,972	281,674
Accounts payable (Note 5)	6,635,416	6,895,481
Other liabilities (Note 5)	618,319	736,140
Total liabilities	8,008,707	7,913,295
Net position:		
Unexpended appropriations	98,368,749	100,017,436
Cumulative results of operations	14,872	(113,836)
Total net position	98,383,621	99,903,600
Total liabilities and net position	$ 106,392,328	$ 107,816,895

The accompanying notes are an integral part of these statements.

U.S. Trade and Development Agency
Statements of Net Cost
For the Years Ended September 30, 2012 and 2011

	2012	2011
Cost of Operations:		
Grants program costs:	$ 54,920,156	$ 53,123,988
Less earned revenue	--	--
Net cost of operations (Notes 6 & 11)	$ 54,920,156	$ 53,123,988

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

U.S. Trade and Development Agency
Statements of Changes in Net Position
For the Years Ended September 30, 2012 and 2011

	2012	2011
Cumulative results of operations:		
Beginning balances	$ (113,836)	$ 43,767
Budgetary financing sources:		
Appropriations used	54,714,403	52,564,787
Other financing sources:		
Imputed financing	334,461	401,598
Total financing sources	55,048,864	52,966,385
Net cost of operations	(54,920,156)	(53,123,988)
Net change	128,708	(157,603)
Ending balances	$ 14,872	$ (113,836)
Unexpended appropriations:		
Beginning balances	$ 100,017,436	$ 104,631,325
Adjustment to beginning balance	--	10,261
Adjusted beginning balance	100,017,436	104,641,586
Budgetary financing sources:		
Appropriations received	50,000,000	50,000,000
Appropriations transferred in	5,700,000	2,050,000
Other adjustments (rescissions and cancellation of expired funds)	(2,634,284)	(4,109,363)
Appropriations used	(54,714,403)	(52,564,787)
Total budgetary financing sources	(1,648,687)	(4,624,150)
Total unexpended appropriations	$ 98,368,749	$ 100,017,436
Net position	$ 98,383,621	$ 99,903,600

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

U.S. Trade and Development Agency
Statements of Budgetary Resources
For the Years Ended September 30, 2012 and 2011

	2012	2011
Budgetary resources:		
Unobligated balance, brought forward, October 1	$ 8,001,435	$ 6,690,288
Recoveries of prior year unpaid obligations	7,215,415	8,018,027
Other changes in unobligated balance	3,065,716	(1,959,363)
Unobligated balance from prior year budget authority, net	18,282,566	12,748,952
Appropriations (discretionary and mandatory)	50,000,000	49,900,000
Spending authority (discretionary and mandatory)	--	(26,925)
Total budgetary resources	$ 68,282,566	$ 62,622,027
Status of budgetary resources:		
Obligations incurred (Note 7):	$ 56,949,477	$ 54,620,592
Unobligated balance, end of year:		
Apportioned (Notes 2, 8 & 10)	6,478,431	3,854,997
Unapportioned (Note 2)	4,854,658	4,146,438
Total unobligated balance, end of year	11,333,089	8,001,435
Total budgetary resources	$ 68,282,566	$ 62,622,027
Change in obligated balance:		
Unpaid obligations, brought forward, October 1 (gross)	$ 99,425,899	$ 106,560,515
Obligated balance, start of year (net) before adjustments		
Adjustment to unobligated balance start of year (net)	--	338
Obligated balance, start of year (net), as adjusted	99,425,899	106,560,853
Obligations incurred	56,949,477	54,620,592
Outlays (gross)	(54,901,070)	(53,737,519)
Recoveries of prior years' obligations	(7,215,415)	(8,018,027)
Obligated balance-end of the period		
Unpaid obligations, end of year (gross)	$ 94,258,891	$ 99,425,899
Obligated balance, end of the period (net) (Note 9)	$ 94,258,891	$ 99,425,899

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

U.S. Trade and Development Agency
Statements of Budgetary Resources
For the Years Ended September 30, 2012 and 2011

	2012	2011
Budget Authority and Outlays, Net		
Budget Authority, gross (discretionary and mandatory)	$ 50,000,000	$ 49,900,000
Budget Authority, net (discretionary and mandatory)	50,000,000	49,900,000
Outlays, gross (discretionary and mandatory)	54,901,070	53,737,519
Outlays, net (discretionary and mandatory)	54,901,070	53,737,519
Distributed offsetting receipts	--	--
Agency outlays, net (discretionary and mandatory)	$ 54,901,070	$ 53,737,519

The accompanying notes are an integral part of these 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).

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.

USTDA changed its presentation for reporting the Statement of Budgetary Resources in FY 2012, based on new reporting requirements under OMB Circular No. A-136, *Financial Reporting Requirements*. As a result, the Statement of Budgetary Resources for FY 2011 has been adjusted to conform to the current year presentation.

(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) Appropriations and Other Financing Sources

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 revenue as the resultant related expenses are incurred.

During FY 2011 and FY 2012, USTDA received an appropriation to be used for program and administrative expenses, which are available for obligation through September 30, 2012 and 2013, respectively. These funds were appropriated in accordance with Section 2114 of the Department of Defense and Full-Year Continuing Resolution Act, 2011 and Title VI of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 ("The Acts"). Beginning with FY 2008 appropriations, the Acts allow 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. In FY 2012, USTDA re-apportioned approximately $.2 million of FY 2008 de-obligations, approximately $.9 million of FY 2009 de-obligations, and $.7 million of FY 2010 de-obligations.

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. During FY 2012, approximately $1.5 million of FY 2009 de-obligations were reapportioned for re-use thru FY 2014.

(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 percent of their gross pay to the plan, and USTDA contributes 8.51 percent. The cost of providing a CSRS benefit, which is 29.8 percent 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 percent of employees' pay and matches any employee contribution up to an additional 4 percent 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 percent of their basic pay while USTDA contributes 11.2 percent for a total contribution rate of 12 percent. The cost of providing a FERS benefit, as computed by OPM is 13.7 percent.

The total amount of imputed financing for retirement and other post-retirement benefits paid by OPM for FY 2012 amounted to $334,461 which includes $100,933 for pension cost for CSRS and FERS; $232,622 for the Federal Employees Health Benefits (FEHB) Program; and $906 for Federal Employees Group Life Insurance (FEGLI). These amounts are included in USTDA's FY 2012 financial statements. In FY 2011, OPM funded $401,598 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 $521,551 and $500,230 for retirement system coverage for its employees during FY 2012 and FY 2011, 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 four 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, 2012 and 2011, as follows:

	2012	2011
Fund balances:		
Appropriated funds	$105,591,980	$107,427,334
Miscellaneous receipts	344,960	11,674
Total	$105,936,940	$107,439,008
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 6,478,431	$ 3,854,997
Unavailable	4,854,658	4,146,438
Obligated balance not yet disbursed	94,258,891	99,425,899
Non-budgetary	344,960	11,674
Total	$105,936,940	$107,439,008

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) Accounts Receivables

Accounts receivables at September 30, 2012 and 2011 consist of the following components:

	2012	2011
Accounts receivable	$ 130	$ 88

FY 2012 accounts receivable represents an employee salary compensation to be returned to USTDA; no allowance is necessary as the amount is fully collectable. FY 2011 accounts receivable represents an employee health insurance premium that was collected in FY 2012.

(4) Property and Equipment, Net

Property and equipment and related accumulated depreciation balances at September 30, 2012, and 2011 are as follows:

September 30, 2012

Class of Asset	Service life		Acquisition value		Accumulated depreciation/ amortization		Net book value
Computer Equipment	5 years	$	553,166	$	363,059	$	190,107
Furniture and Fixtures	10 years		274,764		176,431		98,333
Computer Software	5 years		10,050		3,023		7,027
Other Equipment	10 years		266,313		106,522		159,791
Leasehold Improvement	1 year		113,182		113,182		--
		$	1,217,475	$	762,217	$	455,258

September 30, 2011

Class of Asset	Service life		Acquisition value		Accumulated depreciation/ amortization		Net book value
Computer Equipment	5 years	$	471,823	$	287,009	$	184,814
Furniture and Fixtures	10 years		232,468		163,873		68,595
Computer Software	5 years		5,046		1,514		3,532
Other Equipment	10 years		243,668		159,981		83,687
Leasehold Improvement	2 years		113,182		76,011		37,171
		$	1,066,187	$	688,388	$	377,799

Depreciation expense for fiscal years ended September 30, 2012 and 2011 is $153,379 and $157,909 respectively.

During FY 2012 and 2011, USTDA purchased property and equipment in the amount of $239,296 and $18,623 respectively. In addition, during FY 2012 USTDA retired $88,008 in property and equipment with related accumulated depreciation amounting to $79,549, representing a loss on disposals of $8,459 while in FY 2011 there were no disposals.

(5) Liabilities

Total liabilities represent the sum of liabilities not covered by budgetary resources, and those covered by budgetary resources. As of September 30, 2012 and 2011, total liabilities were as follows:

	2012	2011
Intragovernmental liabilities:		
Liabilities not covered by budgetary resources:		
Miscellaneous receipts to be returned to Treasury	$ 344,960	$ 11,674
Liabilities covered by budgetary resources:		
Accounts payable	410,012	270,000
Total intragovernmental liabilities	$ 754,972	$ 281,674
Other liabilities:		
Liabilities not covered by budgetary resources:		
Accrued annual leave	$ 440,515	$ 491,723
Liabilities covered by budgetary resources:		
Accounts payable	6,635,416	6,895,481
Accrued payroll	177,804	244,417
Total other liabilities	7,253,735	7,631,621
Total liabilities	$ 8,008,707	$ 7,913,295

All liabilities other than unfunded accrued leave are considered to be current liabilities. Approximately $6.1 million of the accounts payable balance as of September 30, 2012 relates to grants payments owed but unpaid. This balance was $6.2 million as of September 30, 2011.

(6) Intragovernmental Costs and Exchange Revenue

Program costs for the fiscal years ended September 30, 2012 and 2011 consists of the following:

Grants Program	**2012**	**2011**
Intragovernmental costs	$ 2,656,359	$ 2,953,748
Public costs	52,263,797	50,170,240
Total grant program costs	54,920,156	53,123,988
Intragovernmental earned revenue	--	--
Net grant program costs	$ 54,920,156	$ 53,123,988

(7) Apportionment Categories of Obligations Incurred

During the years ended September 30, 2012 and 2011, funds were obligated in the following categories:

Obligations	2012	2011
Category A–funds that are obligated for operating expenses	$ 12,725,724	$ 13,548,511
Category B–funds that are obligated for program activities	44,223,753	41,072,081
Total obligations incurred	$ 56,949,477	$ 54,620,592

(8) Unobligated Balances Available – Apportioned

Total available unobligated balance of budget authority at September 30, 2012 and 2011 consist of the following:

	2012	2011
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 East European Democracy (SEED)	49,564	61,565
Funds transferred from USAID for feasibility studies and related activities in the NIS (Freedom Support Act (FSA) no-year funds)	58,328	63,315
Total no-year funds	433,851	450,839
Funds transferred from USAID for feasibility studies and related activities in the NIS (FSA funds)	--	318,930
Funds transferred from USAID for feasibility studies and related activities in Libya (ESF-MERF)	41,681	--
Funds transferred from USAID and reapportioned for feasibility studies and related activities in Pakistan (ESF) and regional Eurasia (AEECA)	380,987	--
USTDA core budget two-year appropriations	5,621,912	3,085,228
Total unobligated and available appropriations	$ 6,478,431	$ 3,854,997

(9) Undelivered Orders

At September 30, 2012 and 2011, undelivered orders balances consisted of the following**:**

Purpose		2012		2011
Obligated balance at the end of the period	$	94,258,891	$	99,425,899
Liabilities covered by budgetary resources		(7,223,232)		(7,409,898)
Undelivered orders	$	87,035,659	$	92,016,001

10) Permanent Indefinite Appropriations

No-year funds at September 30, 2012 and 2011 exist for the following purposes:

Purpose		2012		2011
General program activities	$	325,959	$	325,959
FSA transfer funds for feasibility studies and activities in the NIS		58,328		63,315
Support for feasibility studies and activities (NIS and SEED)		49,564		61,565
Total permanent indefinite appropriations	$	433,851	$	450,839

(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, 2012 and 2011:

		2012		2011
Resources used to finance activities:				
Budgetary resources obligated	$	56,949,477	$	54,620,592
Adjustment to beginning balance brought forward		--		10,261
Recoveries of prior years obligations		(7,215,415)		(8,018,027)
Imputed financing for costs absorbed by others		334,461		401,598
Total resources used to finance activities	$	50,068,523	$	47,014,424
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	$	4,980,341	$	5,925,036
Resources that finance the acquisition of assets		(239,296)		(18,623)
Loss on disposition of assets		8,459		--
Total resources used to finance items not part of the net cost of operations	$	4,749,504	$	5,906,413

Costs that do not require resources:		
Depreciation and amortization	$ 153,379	$ 157,909
(Increase)/decrease in accounts receivable	(42)	26,837
Costs that require resources in a future period:		
(Decrease)/increase in accrued leave liability	(51,208)	18,405
Total costs that do not require resources	$ 102,129	$ 203,151
Net cost of operations	$ 54,920,156	$ 53,123,988

U.S. Trade and Development Agency
Other Accompanying Information
Intragovernmental Assets, Liabilities, and Expenses
As of and for the year ended September 30, 2012

Intragovernmental Assets

Trading Partner	Partner #		As of September 30, 2012 Accounts Receivable		Fund Balance with Treasury
Department of Treasury	20	$	--	$	105,936,940
Total		$	--	$	105,936,940

Intragovernmental Liabilities

Trading Partner	Partner #		As of September 30, 2012 Accounts Payable		Funds to be Returned to Treasury
Department of Agriculture	12	$	1,000	$	--
Department of State	19		130,005		--
Department of Treasury	20		--		344,960
Foreign Service Institute	21		340		--
General Services Administration	47		82,457		--
Office of Personnel Management	24		551		--
U.S. Foreign Commercial Services	13		195,659		--
Total		$	410,012	$	344,960

Intragovernmental Expense

Trading Partner	Partner #		For the Year Ended September 30, 2012 Amount
Department of Agriculture	12	$	3,000
Foreign Service Institute	21		2,560
Department of Homeland Security	70		23,733
Department of Interior (NBC)	14		674,375
Department of State	19		354,290
General Services Administration	47		1,472,206
National Archives	88		1,363
Office of Personnel Management	24		742
U.S. Foreign Commercial Services	13		123,905
U.S. Postal Service	18		185
Total		$	2,656,359

U.S. Trade and Development Agency
Other Accompanying Information
Intragovernmental Assets, Liabilities, and Expenses
As of and for the year ended September 30, 2012

Summary of the Financial Statement Audit and Management's Assurances

Table 1: Summary of Financial Statement Audit:

Audit Opinion	**Unqualified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Table 2: Summary of Management Assurances:

Summary of Management Assurances **Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)**						
Statement of Assurance	**Unqualified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Summary of Management Assurances **Effectiveness of Internal Control over Operations (FMFIA § 2)**						
Statement of Assurance	**Unqualified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management Systems Requirements **(FMFIA § 4)**						
Statement of Assurance	**Systems conform to financial management system requirements**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

U.S. Trade and Development Agency
List of Acronyms and Abbreviations
September 30, 2012

ACP	Aviation Cooperation Program
ASEAN	Association of Southeast Nations
ATDA	Accountability of Tax Dollars Act
AICPA	American Institute of Certified Public Accountants
CSRS	Civil Service Retirement Act
ESF	Economic Support Funds
FAR	Federal Acquisition Regulation
FEHB	Federal Employees' Health Benefits
FEGLI	Federal Employees Group Life Insurance
FERS	Federal Employees Retirement System
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FSA	Freedom Support Act
GSA	General Services Administration
GAAP	Generally Accepted Accounting Principles
GPRA	Government Performance and Results Act of 1993
ICT	Information & Communications Technology
IDCA	International Development Cooperation Agency
IMF	International Monetary Fund
IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act of 2000
NBC	National Business Center
NEI	National Export Initiative
NIS	New Independent States

U.S. Trade and Development Agency
List of Acronyms and Abbreviations
September 30, 2012

NIST	National Institute of Standards and Technology
OET	Outside Evaluation Team
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAR	Performance and Accountability Report
RTM	Reverse Trade Mission
SBA	Small Business Administration
SEED	Support for East European Democracy Act
SFFAS	Statement of Federal Financial Accounting Standards
SSAE	Statements on Standards for Attestation Engagements
TCB	Trade Capacity Building
TDP	Trade and Development Program
TYRA	Ten-Year Rolling Average
USAID	U.S. Agency for International Development
USTDA	U.S. Trade and Development Agency
USTR	United States Trade Representative