U.S. Trade and Development Agency

Performance and Accountability Report

FISCAL YEAR 2011

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Released November 15, 2011

U.S. Trade and Development Agency

FY 2011 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 2011. 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, the Agency helped U.S. companies create jobs here at home through the export of U.S. goods and services, and encouraged economic growth through the development of sustainable infrastructure in our partner countries.

In FY 2011, USTDA continued to place increased emphasis on promoting clean energy and supporting priority transportation, information and communication technology and environmental infrastructure projects abroad. A hallmark of our program is its focus on opportunities in which U.S. private sector goods and services can play a leading role. With a mission dually focused on exports and development, USTDA is well positioned to respond to President Obama's call to double exports by 2015.

The following highlights just a few of USTDA's FY 2011 accomplishments.

Continued Support of the National Export Initiative (NEI)
In response to the launch of the NEI in 2010, USTDA mobilized all of its tools and created a new International Business Partnership Program (IBPP) with an initial focus on reverse trade missions (RTMs) specifically directed by the President to support U.S. industry's efforts to broaden its export markets. When the NEI started, USTDA committed to sponsoring 35 RTMs in FY 2010, a 60 percent increase from FY 2009. In fact, USTDA exceeded that goal, sponsoring over 40 RTMs both in FY 2010 and FY 2011. An increase in RTMs was part of a determined effort to focus on short-term results, and the Agency is already seeing the benefits of that decision.

Cooperation Programs
In response to requests from U.S. industry, USTDA established two new cooperation programs in FY 2011—the U.S.-India Energy Cooperation Program (ECP) and the U.S.-China Health Cooperation Program (HCP). The cooperation programs are public-private partnerships initiated by and through USTDA that bring U.S. companies together with the U.S. and partner country governments to address strategically critical infrastructure and other development projects. These

partnerships give both governments an important private sector resource to draw from to help with key development issues. They have generated numerous specific business opportunities for U.S. companies.

In support of the U.S.-India ECP, USTDA launched the Efficiency and Clean Energy Exchange Program to introduce Indian officials and private sector project sponsors to U.S. clean energy and energy efficiency technologies through a series of four RTMs to the United States. These RTMs, which began in FY 2011 and will continue next year, focus on the highest priority areas of clean energy and energy efficiency commercial opportunities such as: smart grid applications, grid-scale solar power development, unconventional gas, coal bed methane and carbon capture and storage, and industrial energy efficiency. The success of these cooperative programs has allowed USTDA to showcase its unique ability to leverage the U.S. private sector in its infrastructure development activities, thereby creating lasting benefits both for the United States and USTDA's partner countries.

Egypt: Forward

A prime example of USTDA's leadership in FY 2011 was its quick response to Egypt following the transformational events of January 2011. USTDA, cognizant of the need to bolster economic growth to help stabilize the country and support the new government, sponsored the Egypt: Forward Forum and Site Visits in June 2011, to send a clear message to U.S. businesses that Egypt is open for business and that the United States Government is supporting its Egyptian partners.

The Forum in June was followed up immediately with site visits which brought public and private sector representatives from four sectors in Egypt together with hundreds of U.S. company representatives and officials from several U.S. departments and agencies; and provided an unprecedented opportunity to foster trade, commercial opportunities, and economic ties between the United States and Egypt. USTDA already has begun to see the benefits—financial and otherwise—of its sponsorship of the Forum and site visits, and will continue to support projects and partnerships that grow out of the Forum.

USTDA also recognizes that the key to implementing and maintaining a successful strategy is creating strong partnerships and fostering increased cooperation. Chief among these are the synergies between our sister U.S. foreign assistance agencies, international development organizations, financiers and the U.S. private sector, all of whom contributed significantly to the Agency's accomplishments. By encouraging U.S. business involvement in emerging economies, USTDA achieves its dual mission of supporting priority development projects in our partner countries and opening new markets for increased exports for U.S.-manufactured goods and services. USTDA's approach represents a clear focus on trade and investment, resulting in increasing exports, economic growth and U.S. job creation.

In FY 2011, USTDA identified many new export successes resulting from the Agency's investments. Overall, USTDA increased its export multiplier to a ratio of 58 to 1, meaning that for every dollar the Agency invested, $58 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 $4.9 billion in new export successes this year, bringing our total exports generated to date to nearly $41 billion. 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.

Finally, I want 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 RTMs 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 clean energy and energy efficiency, transportation, and information communication technology.

USTDA seeks out and funds projects that have a high probability of implementation and U.S. exports and have 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, 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 2011, USTDA continued to pursue a more targeted approach to delivering assistance and streamlined the Agency's country and sector focus. USTDA highlighted 26 priority countries (out of 131 countries eligible for USTDA assistance) and three priority sectors (with two additional sectors for more limited consideration) that 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 47 to 58 by the close of FY 2011, meaning that every dollar the Agency invested in its program is now generating $58 in U.S. exports.

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 (TYRA).

FY 2011 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 two 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 2011 USTDA produced outstanding results in terms of increasing its export multiplier, identifying new project successes, supporting over 40 new reverse trade missions, and demonstrating its willingness to take the lead and launch new programs to help the U.S. government meets its strategic objectives.

FY 2011 Strategic Investments	**Overall Success Rates**
Priority Countries: $36.2M (87.7%)	**Export Multiplier: 58 to 1**
Information & Communications Technologies: $7.6M (18%)	**New Exports Identified: $4.9B**
Transportation: $11.4 (28%)	**Total Exports to Date: $40.7B**
Clean Energy/Energy Efficiency: $15.5M (38%)	
Water and Environment: $1.2M (3%)	

USTDA's total obligations in its 26 priority countries increased from 84.6 percent of the Agency's total program obligations in FY 2010 (the first year in which the Agency's improved strategic planning process was fully implemented) to 87.7 percent of total program obligations in FY 2011. With respect to the results for the FY 2011 selected priority sectors, Information & Communications Technologies (ICT) sector investments increased from 14 percent of FY 2010 total program obligations to 18 percent of FY 2011 total program obligations, and transportation sector investments increased from 22 percent of FY 2010 total program obligations to 28 percent of FY 2011 total program obligations. With these increased investments in the ICT and transportation sectors, the clean energy and energy efficiency sector declined somewhat from 46 percent of FY 2010 total program obligations to 38 percent in FY 2011. In the water sector, which is a sector of limited consideration for the Agency, USTDA's investments for FY 2011 declined to 3 percent of its total program obligations, compared to 7 percent in FY 2010.

By focusing our 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.

Reliability and Completeness of the Performance Data

USTDA maintains an internal evaluations team and also contracts with independent evaluators. The internal and independent 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 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.

Evaluations

USTDA's 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.

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 during FY 2011:

Financial Condition	FY 2011 Balance	FY 2010 Balance	Increase/ (Decrease)	Percentage Difference
Total Assets	$107,816,895	$113,796,014	($5,979,119)	(5.25%)
Total Liabilities	$7,913,295	$9,120,922	($1,207,627)	(13.24%)
Net Position	$99,903,600	$104,675,092	($4,771,492)	(4.56%)
Net Cost of Operations	$53,123,988	$56,465,192	($3,341,204)	(5.92%)
Budgetary Resources	$62,622,027	$70,820,858	($8,198,831)	(11.58%)

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, 2011, reports a net position of approximately $99.9 million. Specifically, USTDA's total assets of approximately $107.8 million include fund balance with Treasury of approximately $107.4 million. The total assets as of September 30, 2011 decreased by approximately $6.0 million from September 30, 2010. The decrease was primarily due to a decrease in Fund Balance with Treasury of $5.8 million.

Total liabilities reported are $7.9 million and are comprised of approximately $7.2 million of accounts payable, of which $6.2 million relates to grant payments owed, but unpaid as of September 30, 2011. Total liabilities as of September 30, 2011 decreased by approximately $1.2 million from FY 2010. The decrease was primarily due to the decrease in the accrual for grant payments.

Statement of Net Cost

USTDA's net cost of operations for the year ended September 30, 2011 amounted to approximately $53.1 million. The net cost of operations for FY 2011 decreased by approximately $3.3 million from FY 2010 due to a decrease in funding, which resulted in fewer grants and contracts as compared to the prior year.

Statement of Budgetary Resources

The budgetary resources for FY 2011 decreased by approximately $8.2 million from FY 2010, due primarily from changes in appropriations, transfers and funds permanently not available that totaled approximately $11.5 million. However, this decrease was offset by approximately $3.3 million derived primarily from amounts brought forward from 2010 and recoveries from prior years.

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; 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 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). A qualified opinion was issued by NBC's independent public accounting firm for the period July 1, 2010 through June 30, 2011. NBC implemented mitigating controls to address the qualification and also conducted an assessment in accordance with OMB Circular A-123, in which no material weaknesses or significant deficiencies were noted. Accordingly, NBC was able to provide USTDA with assurance that the description of controls in the FY 2011 report presents fairly the operating effectiveness of the NBC controls that were in place as of September 30, 2011 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 FY 2011 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.

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, 2011 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, 2011 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 25, 2011

Date

Accountability of Tax Dollars Act

The 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 Act.

Government Performance and Results Act

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 2011, 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—P.L. 107-300) requires federal agencies to identify and report on significant payment programs that are susceptible to improper payments. IPIA defines significant improper payments as those within a single payment program that exceed both 2.5 percent of that program's annual amounts paid and $10 million annually. The Improper Payments Elimination and Recovery Act of 2010 (IPERA), enacted on July 22, 2010, 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. "Significant," as defined in the Act, means that in the preceding fiscal year, improper payments in the program or activity may have exceeded $10,000,000 of all program or activity payments made during that fiscal year reported and 2.5 percent of program outlays; or $100,000,000.

USTDA reviewed its operations identifying two payment programs: (1) the Foreign Grant Program (e.g., grants, reverse trade missions, contracts and related assistance); and (2) the Operating Expenses (OE) Program (e.g., salaries and benefits, rent, other administrative costs). Approximately 75 percent of USTDA's funding was dedicated to the Foreign Grant Program, which amounted to approximately $41.0 million, and the remaining 25 percent was allocated to OE, which was approximately $13.5 million.

USTDA assessed each program to determine which, if any, were susceptible to significant improper payments, as both programs make annual payments that exceed $10 million. In undertaking this analysis, USTDA's Finance Department reviewed every transaction processed during FY 2010. The results of that analysis did not find any significant improper payments that reached the level required for reporting by IPERA. For the few, immaterial, improper payments identified in FY 2010, USTDA recovered the full amount. 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.

USTDA has in place internal and external controls making improper grant program payments highly unlikely. For example, invoices go through many levels of review and approval, including by a certified Contracting Officer's Technical Representative, before being transmitted to the Finance Department for processing. With respect to payments made under the Foreign Grant Program, disbursements are made only after 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 Grants Administration, prior to being authorized to be disbursed by the Finance Department. Furthermore, each grant and contract is retrieved by USTDA's payment center 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.

Based on the results of the FY 2010 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, both the OE Program payments and the Foreign Grant Program payments 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 the FMFIA to ensure that the agency remains compliant. The agency will continue to review its programs annually to determine if any significant improper payments exist and complete a full review every three years as required.

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, North Africa and Europe, South and South East Asia to accomplish its mission.

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 26 to 20 countries, in FY 2012. The priority countries are now as follows:

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

*USTDA will only use special transfer funds to support projects in this country

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 2012—clean energy/energy efficiency, information and communication technology, and transportation—(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, which was established as a sector of special consideration in FY 2011, remains a focus in China.

Also, USTDA will continue to support foreign policy priorities of the Administration by directing its funding to support: the National Export Initiative (NEI); clean energy development and the U.S. Climate Change Agenda; and the Millennium Development Goals (MDGs).

USTDA's Evaluation Measurements and Targets

USTDA maintains a robust Program Evaluation Office that is responsible for tracking the results of the Agency's funding commitments. It evaluates both the short- and long-term impact of USTDA's program as it relates to U.S. export generation and benefits to host country economies. These efforts are critical to the Agency's ability to identify and quickly respond to the needs of

U.S. companies seeking to pursue business and export opportunities in international markets. 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: effectiveness or ability of USTDA's funding to generate U.S. exports, stated in terms of the ratio by dollar value of U.S exports to USTDA program expenditures. In general terms, the "export return on USTDA investment." In addition, the agency has calculated the percentage of projects that generate exports, although the resulting "hit rate" has proven to be of limited value in view of the matrix of USTDA's dual mission.[1]

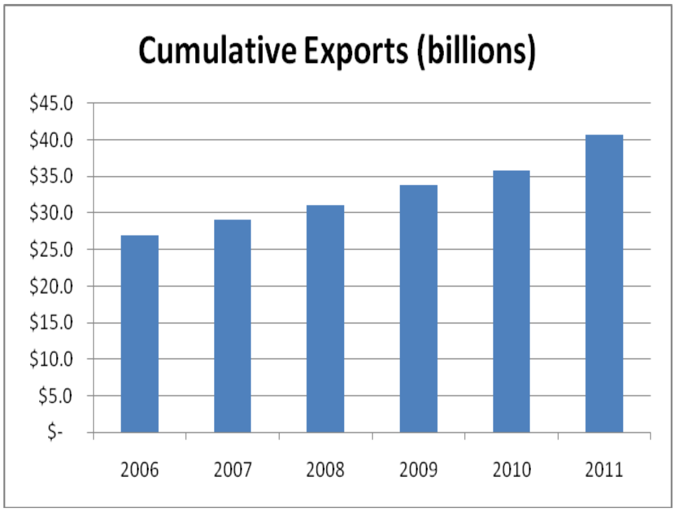
Although these metrics can be used to generate data for any period of time, the Agency, as a rule, calculates the Multiplier using a Ten-Year Rolling Average (TYRA). FY 2011 the TYRA is made up of projects completed between 1998 and 2007. The TYRA is explained in greater detail in the Procedures to Ensure Performance Reporting section. Therefore, the data on commercial outcomes provided in this PAR are calculated using the TYRA, unless otherwise stated.

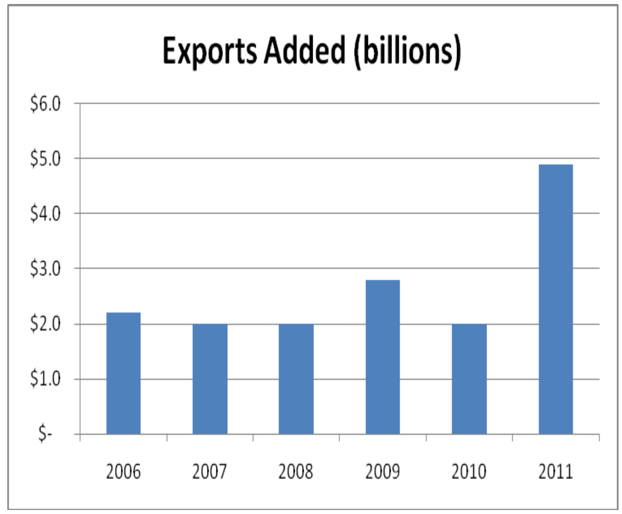
Comparison of Performance to Goals

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 $40.7 billion in U.S. exports. In FY 2011 USTDA identified $4.9 billion new exports attributed to USTDA supported projects. The Agency's cumulative exports increased substantially this year, compared to last, due to large successes identified with a Colombian refinery project as well as the Agency's China Aviation Cooperation Program.

[1] The hit rate, while providing the percentage of projects that yield exports, does not take into account the nature of the project being supported, how close it is to implementation and the economic conditions surrounding the projects that may prevent it from being implemented. USTDA funding is requested to support projects that are challenging and often lack financial commitments. Further, USTDA works in developing- and middle-income countries where foreign transactions supporting multi-million dollar infrastructure projects are impacted by unpredictable events. Thus, it is important to note that the hit rate is of limited value in determining the overall benefits of USTDA funding.

U.S. Trade and Development Agency Performance



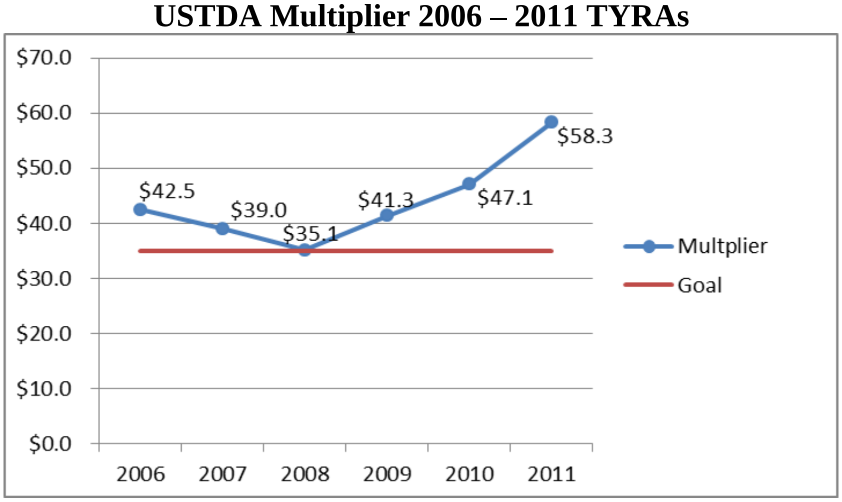


Export Multiplier Rate Calculation

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 projects completed between 1999 and 2008, USTDA has obligated $302.0 million to support foreign projects, which has helped to generate $17.6 billion in U.S. exports. Thus, for every $1 dollar of USTDA funding, $58.30 in U.S. exports are generated, which exceeds last year's multiplier rate of $47.1 and two years ago of $41.3. This increase, in part, is attributed 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: $\frac{\$17.6 \text{ billion}}{\$302 \text{ million}} = \$58.30$

USTDA Multiplier 2006 – 2011 TYRAs



Other Measurements

Small Business Impact

The Small Business Administration (SBA) has set a goal for federal agencies to work with small businesses on at least 23 percent of their procurements and contracts. Between 2004-2009, over 76 percent of USTDA's project related activities were awarded to small businesses, significantly exceeding SBA's goals. Based on 2004-2009 data, 93 percent of direct contracts have been awarded to U.S. small businesses.[2]

Trade Capacity Building

Since 2001 the U.S. Agency for International Development (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, we review activities annually, classify them in their appropriate TCB categories and report them to USAID through an online database. USTDA does not have any targets or goals set for TCB requirements.

Procedures to Ensure Performance Measurement Reporting

The Agency's Program Evaluation Office works throughout the year to compile information related to the Agency's performance measurements. The following parameters are used when compiling and generating the measures:

TYRA is a ten-year interval used to measure the results of program. The TYRA consists of all projects for which the completion year of the project falls within the TYRA years. The last year of the TYRA is recent enough to influence future planning, but far enough away to ensure USTDA funding activities have been evaluated at least once by the independent evaluation team (IET). Further, the gap between the last year of the TYRA and first year of evaluation is justified because most large infrastructure projects take years to develop and the USTDA project cycle typically requires a minimum of two years to complete. Thus, for FY 2011 the TYRA is 1998-2007, FY 2010 the TYRA was 1997-2006, and so on.

[2] Many activities obligated in Fiscal Years 2010 and 2011 are too recent to have had a contractor selected so these activities are not being officially reported. As of June 2011, over 80 percent of FY 2010 activities were awarded to small businesses; however, there were approximately 50 activities which have been obligated but for which a contractor has yet to be selected and as such, these activities were omitted from analysis in FY 2011.

U.S. Trade and Development Agency Performance

USTDA funds projects by using its Core funds, appropriated by Congress, and in some instances, transfer funds provided by other government agencies such as USAID and the State Department. 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.

The Program Evaluation Office seeks to determine whether and to what extent a USTDA activity assisted U.S. companies in successfully exporting to support a project. The U.S. exports USTDA attributes to its program efforts must have a credible and significant linkage to a USTDA-funded activity. To be considered a “success”, the exports must involve U.S. content. USTDA strives to attribute goods, but also counts services when they can be identified. There are no time limitations during which USTDA may claim credit for U.S. export or development impact generation but USTDA takes into consideration the general constraints it has when measuring exports and development benefit.

USTDA seeks to establish a credible linkage between a USTDA activity and the resulting exports. There may be any number of factors that lead to a project being implemented, resulting in exports and benefits to the host country. In order to establish a linkage, USTDA gathers information that explains how the USTDA-funded activity affected the final result. This information includes input from stakeholders who confirm that USTDA played a contributing role to the project being implemented or other results. Additionally, USTDA seeks to determine the significance of the Agency’s activity in the final outcome: in particular, the impact of the activity on project implementation, export generation and development benefits.

U.S. Content

U.S. content is defined as goods manufactured in the U.S. or services provided by U.S. corporations/workers. USTDA obtains U.S. content data in a number of different ways but most commonly via information provided by U.S. contractors, suppliers, host country project sponsors, financiers, and other U.S. agencies involved in implementing the project. In cases where exact figures cannot be provided, USTDA works with the entity providing the data to estimate the U.S. content. U.S. content is difficult to document in detail given the rise of multinational companies and complexity of supply chains. Further, with the exception of contracts financed by the U.S. Export-Import Bank, entities may not document the data or have specific knowledge about the value of contracts or where the content was produced. In instances where data is limited, USTDA works with the entities involved in the project implementation to identify an order of magnitude to estimate the U.S. content values.

Independent Evaluation Team

USTDA hires an outside IET to evaluate 400 USTDA projects annually (or roughly 40-50 percent of USTDA’s projects open for evaluation). The IET provides a complete assessment of project outcomes; 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; how the USTDA funded work led to or contributed to project implementation; the reasons why a project did not move forward; information about financing that was used; and the specific U.S. goods and services that were supplied. Additionally, the IET individual project reports contain detailed information about the entities that were contacted during the individual project evaluations.

In addition to these project reports, the IET provides a comprehensive final report that summarizes the findings associated with the cohort of 400 projects. After several annual assessments by the IET, if any outstanding questions remain, these are handled directly by USTDA's Project Evaluation Office.

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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, 2011 and 2010, and the related statements of net cost, changes in net position, and combined statements of 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 USTDA as of September 30, 2011 and 2010, 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 9, 2011 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 audits.

KPMG LLP

November 9, 2011

KPMG LLP
2001 M Street, NW
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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, 2011 and 2010 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 9, 2011.

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 2011 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 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 9, 2011

KPMG LLP
2001 M Street, NW
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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 (USTDA) as of September 30, 2011 and 2010, and the related statements of net cost, changes in net position, and combined statements of budgetary resources (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 9, 2011.

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 our tests of compliance described in the preceding paragraph of this report, 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.

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 9, 2011

U.S. Trade and Development Agency
Balance Sheets
As of September 30, 2011 and 2010

Assets	**2011**	**2010**
Intragovernmental:		
Fund balance with Treasury (Note 2)	$107,439,008	$113,252,004
Accounts receivable, net (Note 3)	--	26,925
Total intragovernmental	107,439,008	113,278,929
Accounts receivable, net (Note 3)	88	--
General property and equipment, net (Note 4)	377,799	517,085
Total assets	$107,816,895	$113,796,014
Liabilities and Net Position		
Liabilities		
Intragovernmental:		
Accounts payable (Note 5)	$ 270,000	$ 74,007
Other liabilities (Notes 2 & 5)	11,674	28,126
Total intragovernmental	281,674	102,133
Accounts payable (Note 5)	6,895,481	8,087,922
Other liabilities (Note 5)	736,140	930,867
Total liabilities	7,913,295	9,120,922
Net position:		
Unexpended appropriations	100,017,436	104,631,325
Cumulative results of operations	(113,836)	43,767
Total net position	99,903,600	104,675,092
Total liabilities and net position	$107,816,895	$113,796,014

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, 2011 and 2010

	2011	2010
Cost of Operations:		
Grants program costs:	$53,123,988	$56,465,192
Less earned revenue	--	--
Net cost of operations (Notes 6 & 11)	$53,123,988	$56,465,192

The accompanying notes are an integral part of these statements.

U.S. Trade and Development Agency
Statements of Changes in Net Position
For the Years Ended September 30, 2011 and 2010

	2011	2010
Cumulative results of operations:		
Beginning balances	$ 43,767	$ 6,870
Budgetary financing sources:		
Appropriations used	52,564,787	56,110,429
Other financing sources:		
Imputed financing	401,598	391,660
Total financing sources	52,966,385	56,502,089
Net cost of operations	(53,123,988)	(56,465,192)
Net change	(157,603)	36,897
Ending balances	$ (113,836)	$ 43,767
Unexpended appropriations:		
Beginning balances	$ 104,631,325	$101,289,856
Adjustment to beginning balance	10,261	--
Adjusted beginning balance	104,641,586	101,289,856
Budgetary financing sources:		
Appropriations received	50,000,000	55,200,000
Appropriations transferred in	2,050,000	7,250,000
Other adjustments (rescissions and cancellation of expired funds)	(4,109,363)	(2,998,102)
Appropriations used	(52,564,787)	(56,110,429)
Total budgetary financing sources	(4,624,150)	3,341,469
Total unexpended appropriations	$ 100,017,436	$104,631,325
Net position	$ 99,903,600	$104,675,092

The accompanying notes are an integral part of these statements.

U.S. Trade and Development Agency
Statements of Budgetary Resources
For the Years Ended September 30, 2011 and 2010

	2011	2010
Budgetary resources:		
Unobligated balance, brought forward, October 1	$ 6,690,288	$ 6,330,098
Adjustment to beginning balance brought forward	--	10,261
Recoveries of prior year unpaid obligations	8,018,027	5,001,677
Budget authority:		
Appropriations	50,000,000	55,200,000
Spending authority from offsetting collections:		
Collected	--	--
Change in receivables from federal sources	(26,925)	26,925
Nonexpenditure transfers	2,050,000	7,250,000
Permanently not available:		
Enacted Reduction	(100,000)	--
Cancellation of expired accounts	(4,009,363)	(2,998,103)
Total budgetary resources	$ 62,622,027	$ 70,820,858
Status of budgetary resources:		
Obligations incurred:		
Direct (Note 7)	$ 54,620,592	$ 64,130,570
Unobligated balance available:		
Apportioned (Notes 2, 8 & 10)	3,854,997	2,889,608
Unobligated balance not available (Note 2)	4,146,438	3,800,680
Total status of budgetary resources	$ 62,622,027	$ 70,820,858
Change in obligated balance:		
Unpaid obligations, brought forward, October 1	$106,560,515	$102,101,873
Adjustment to unobligated balance brought forward	338	(10,261)
Obligations incurred	54,620,592	64,130,570
Less: Gross outlays	(53,737,519)	(54,659,990)
Less: Recoveries of prior years' obligations	(8,018,027)	(5,001,677)
Obligated balance-end of the period	99,425,899	106,560,515
Less: Uncollected customer payments from federal sources	--	(26,925)
Obligated balance, net-end of the period (Note 9)	$ 99,425,899	$106,533,590
Net Outlays:		
Gross outlays	$ 53,737,519	$ 54,659,990
Less: Offsetting collections	--	--
Net outlays	$ 53,737,519	$ 54,659,990

The accompanying notes are an integral part of these statements.

U.S. Trade and Development Agency
Notes to Financial Statements
September 30, 2011

(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.

(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 each of FY 2010 and FY 2011, USTDA received an appropriation to be used for program and administrative expenses, which are available for obligation through September 30, 2011 and 2012, respectively. These funds were appropriated in accordance with Section 7011 of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2010 and Section 2114 of the Department of Defense and Full-Year Continuing Resolution Act, 2011 ("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 2011, USTDA re-apportioned approximately \$1.3 million of FY 2008 de-obligations and approximately \$1.4 million of FY 2009 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.

(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 30.1 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 13.8 percent.

The total amount of imputed financing for retirement and other post-retirement benefits paid by OPM for FY 2011 amounted to $401,598 which includes $150,534 for pension cost for CSRS and FERS; $250,174 for the Federal Employees Health Benefits (FEHB) Program; and $890 for Federal Employees Group Life Insurance (FEGLI). These amounts are included in USTDA's FY 2011 financial statements. In FY 2010, OPM funded $391,660 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 $500,230 and $446,690 for retirement system coverage for its employees during FY 2011 and FY 2010, 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, 2011 and 2010, as follows:

	2011	2010
Fund balances:		
Appropriated funds	$107,427,334	$113,223,878
Miscellaneous receipts	11,674	28,126
Total	$107,439,008	$113,252,004
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available	$ 3,854,997	$ 2,889,608
Unavailable	4,146,438	3,800,680
Obligated balance not yet disbursed	99,425,899	106,533,590
Non-budgetary	11,674	28,126
Total	$107,439,008	$113,252,004

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, 2011 and 2010 consist of the following components:

	2011	2010
Accounts receivable, net	$ 88	$ 26,925
Total Receivable and Advances	$ 88	$ 26,925

FY 2011 accounts receivable represents an employee health insurance premium which will be collected in FY 2012. The accounts receivable reported in FY 2010 represent erroneous charges made by other agencies against USTDA's appropriation. The correction was made in FY 2011.

(4) Property and Equipment, Net

Property and equipment and related accumulated depreciation balances at September 30, 2011, and 2010 are as follows:

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

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	3 years		113,182		35,043		78,139
		$	1,047,564	$	530,479	$	517,085

Depreciation expense for fiscal years ended September 30, 2011 and 2010 is $157,909 and $129,218, respectively.

During FY 2011 and 2010, USTDA purchased property and equipment in the amount of $18,623 and $264,925, respectively. In addition, during FY 2011 there were no disposals, while in 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, 2011 and 2010, total liabilities were as follows:

		2011		2010
Intragovernmental liabilities:				
Liabilities not covered by budgetary resources:				
Miscellaneous receipts to be returned to Treasury	$	11,674	$	28,126
Liabilities covered by budgetary resources:				
Accounts payable		270,000		74,007
Total intragovernmental liabilities	$	281,674	$	102,133
Other liabilities:				
Liabilities not covered by budgetary resources:				
Accrued annual leave	$	491,723	$	473,318
Liabilities covered by budgetary resources:				
Accounts payable		6,895,481		8,087,922
Accrued payroll		244,417		457,549
Total other liabilities		7,631,621		9,018,789
Total Liabilities	$	7,913,295	$	9,120,922

All liabilities other than unfunded accrued leave are considered to be current liabilities. Approximately $6.2 million of the accounts payable balance as of September 30, 2011 relates to grants payments owed but unpaid. This balance was $7.8 million as of September 30, 2010.

(6) Intragovernmental Costs and Exchange Revenue

Program costs for fiscal years ended September 30, 2011 and 2010 consist of the following:

Grants Program		**2011**		**2010**
Intragovernmental costs	$	2,953,748	$	3,701,368
Public costs		50,170,240		52,763,824
Total grant program costs		53,123,988		56,465,192
Intragovernmental earned revenue		--		--
Net grant program costs	$	53,123,988	$	56,465,192

(7) Apportionment Categories of Obligations Incurred

During the years ended September 30, 2011 and 2010, funds were obligated in the following categories:

Obligations		2011		2010
Category A–funds that are obligated for operating expenses	$	13,548,511	$	14,292,885
Category B–funds that are obligated for program activities		41,072,081		49,837,685
Total obligations incurred	$	54,620,592	$	64,130,570

(8) Unobligated Balances Available – Apportioned

Total available unobligated balance of budget authority at September 30, 2011 and 2010 consist of the following:

		2011		2010
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)		61,565		304,498
Funds transferred from USAID for feasibility studies and related activities in the NIS (Freedom Support Act (FSA) no-year funds)		63,315		150,841
Total no-year funds		450,839		781,298
Funds transferred from USAID for feasibility studies and related activities in the NIS (FSA funds)		318,930		--
USTDA core budget two-year appropriations		3,085,228		2,108,310
Total unobligated and available appropriations	$	3,854,997	$	2,889,608

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

(9) Undelivered Orders

At September 30, 2011 and 2010, undelivered orders balances consisted of the following**:**

Purpose		2011		2010
Obligated balance at the end of the period	$	99,425,899	$	106,533,590
Accounts payable (covered by budgetary resources)		(7,409,898)		(8,619,478)
Undelivered orders	$	92,016,001	$	97,914,112

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(10) Permanent Indefinite Appropriations

No-year funds at September 30, 2011 and 2010 exist for the following purposes:

Purpose	2011	2010
General program activities	$ 325,959	$ 325,959
FSA transfer funds for feasibility studies and activities in the NIS	63,315	150,841
Support for feasibility studies and activities (NIS and SEED)	61,565	304,498
Total permanent indefinite appropriations	$ 450,839	$ 781,298

(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, 2011 and 2010:

	2011	2010
Resources used to finance activities:		
Budgetary resources obligated	$ 54,620,592	$ 64,130,570
Adjustment to beginning balance brought forward	10,261	(10,261)
Recoveries of prior years obligations	(8,018,027)	(5,001,677)
Imputed financing for costs absorbed by others	401,598	391,660
Other	--	117,195
Total resources used to finance activities	$ 47,014,424	$ 59,627,487
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	$ 5,925,036	$ (2,981,279)
Resources that finance the acquisition of assets	(18,623)	(264,925)
Loss on disposition of assets	--	3,779
Total resources used to finance items not part of the net cost of operations	$ 5,906,413	$ (3,242,425)
Costs that do not require resources:		
Depreciation and amortization	$ 157,909	$ 129,218
Decrease in accounts receivable	26,837	--
Bad debt expenses	--	(72,060)
Costs that require resources in a future period:		
Increase in accrued leave liability	18,405	22,972
Total costs that do not require resources	$ 203,151	$ 80,130
Net cost of operations	$ 53,123,988	$ 56,465,192

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Intragovernmental Assets

Trading Partner	Partner #		Accounts Receivable		Fund Balance with Treasury
Department of the Treasury	20	$	--	$	107,439,008
Total		$	--	$	107,439,008

Intragovernmental Liability

Trading Partner	Partner #		Accounts Payable		Fund to be Returned to Treasury
National Archives and Records	88	$	96	$	--
Office of Personnel Management	24		1,800		--
Department of State	19		132,837		--
Department of the Treasury	20		--		11,674
U.S. Foreign Commercial Services	13		94,295		--
General Services Administration	47		40,972		--
Total		$	270,000	$	11,674

Intragovernmental Expense

Trading Partner	Partner #		Amount
Department of Agriculture-CEPO	12	$	(3,000)
Foreign Service Institute	21		735
Department of the Interior (NBC)	14		1,008,626
Department of State	19		403,584
U.S. Foreign Commercial Services	13		63,985
General Services Administration	47		1,446,495
Department of Homeland Security	70		21,167
Office of Personnel Management	24		6,014
National Archives and Records	88		1,150
U.S. Postal Service	18		4,992
Total		$	2,953,748

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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

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List of Acronyms and Abbreviations
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ATDA	Accountability of Tax Dollars Act
AICPA	American Institute of Certified Public Accountants
CSRS	Civil Service Retirement Act
ECP	Energy Cooperation Program
ESF	Economic Support Funds
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
HCP	Health Cooperation Program
IBPP	International Business Partnership Program
ICT	Information & Communications Technologies
IDCA	International Development Cooperation Agency
IET	Independent Evaluation Team
IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act of 2000
MDGs	Millennium Development Goals
NBC	National Business Center
NEI	National Export Initiative

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NIS	New Independent States
NIST	National Institute of Standards and Technology
OE	Operating Expenses
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
TYRA	Ten-Year Rolling Average
USAID	U.S. Agency for International Development
USTDA	U.S. Trade and Development Agency
USTR	United States Trade Representative