Financial Reporting

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

November 16, 2015

I am pleased to submit SBA's Agency Financial Report for fiscal year 2015. An independent audit has earned the SBA an unmodified opinion with no material weaknesses. This report means that the consolidated financial statements present fairly, in all material respects, the financial position of the SBA as of September 30, 2015.

The audit report continued to identify issues with SBA's information technology security and compliance with laws and regulations governing debt referral for collection. While improvements to the financial management systems have been made, the framework governing SBA's information technology infrastructure is in need of additional controls over access, vulnerability management, and code changes. And while the SBA successfully migrated its legacy financial systems this year, data and process issues have persisted that have prevented full compliance with referral requirements of the Debt Collection Improvement Act. In response to these matters, the SBA is making significant investments to improve its network and technology management tools, and debt referral processes that should yield major improvements in the near future.

A potential violation of the Antideficiency Act was identified during the year. Although the dollar amounts in question were insignificant, the SBA has taken action to correct the problem it had identified, and is preparing the reports required under the Act.

Despite these challenges, the SBA achieved significant accomplishments in several areas of financial management:

- Relocating the contract writing systems to a commercial data center to improve integration with the financial systems and ensure data consistency and quality for management and DATA Act reporting;
- Implementing process improvements to streamline operations and refine policies and procedures for financial management and acquisition;
- Serving as Treasury's pilot agency for a technical solution in support of the government-wide implementation of the DATA Act;
- Receiving an "A" grade on the Agency's procurement scorecard and exceeding the small business contracting goal of 69 percent – the highest percentage goal of any agency in the government; and
- Completing the assessment of the acquisition function.

The SBA continued to work toward achievement of its priority and strategic goals as documented in its *FY 2014-2018 Strategic Plan*. The plan includes three strategic goals that focus on job growth and creation, small business advocacy, and effective internal management and risk mitigation. These strategic goals guide the Agency's resource and management decisions. Each strategic goal contains objectives which are directly tied to performance from the individual level to Agency-wide. This framework is essential to ensure that the SBA continues to play a key role in strengthening America's economy by providing tools to help grow businesses and create jobs.

For the ninth year in a row the SBA won the prestigious Certificate of Excellence in Accountability Reporting (CEAR) award to recognize high quality reporting in all aspects of accountability and transparency. Presented by the Association of Government Accountants, this award is made to federal agencies following a rigorous, independent review against established standards for presentation.

I want to recognize the independent Audit and Financial Management Advisory Committee who have provided advice and recommendations to improve our financial reporting. Since 2004 their input has been an invaluable part of our efforts for continuous improvement and I thank them for their ongoing support.

SBA's efforts to assist entrepreneurs and small business owners are especially critical to a healthy economy. Through the use of smart technologies, the advancement of bold ideas, and the efficient operation of accessible programs, SBA strives to achieve a mission focused on the success of the small businesses that continue to build the American economy. My office is proud to be a part of this effort.

Sincerely,

Tami Perriello

Tami Perriello
Associate Administrator for Performance Management
and Chief Financial Officer

AUDIT AND FINANCIAL MANAGEMENT ADVISORY COMMITTEE'S REPORT

November 16, 2015

The Audit and Financial Management Advisory Committee (the Committee) assists the Administrator in overseeing the U.S. Small Business Administration's (SBA's) financial operations. As part of that responsibility, the Committee meets with Agency management, the Agency's Inspector General, and its external auditors to review and discuss SBA's external financial audit coverage, the effectiveness of SBA's internal controls over its financial operations, and its compliance with certain laws and regulations that could materially impact SBA's financial statements. SBA's external auditors are responsible for expressing an opinion on the conformity of SBA's audited financial statements with the U.S. generally accepted accounting principles. The Committee reviews the findings of the Inspector General and external auditors, and SBA's responses to those findings, to ensure that SBA's plan for corrective action includes appropriate and timely follow-up measures. In addition, the Committee reviews the draft Agency Financial Report (AFR), including its financial statements, and provides comments to management who has primary responsibility for the AFR. The Committee met formally twice during the year with respect to these responsibilities on FY 2015 financial management and reporting. During the formal meetings the Committee met with the Inspector General and external auditors without SBA management being present and discussed with the external auditors the matters that are required to be discussed by generally accepted auditing standards. Nothing came to our attention as a result of these discussions to indicate changes were needed to the financial statements and notes thereto that are included in the FY 2015 AFR.

Joseph Kull
Chairman
Audit and Financial Management Advisory Committe

INSPECTOR GENERAL'S AUDIT REPORT

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416

Final Report Transmittal
Report Number: 16-02

DATE: November 16, 2015

TO: Maria Contreras-Sweet
Administrator, Small Business Administration

Douglas Kramer
Deputy Administrator, Small Business Administration

Tami Perriello
Chief Financial Officer, Small Business Administration

FROM: Troy M. Meyer
Assistant Inspector General for Auditing

SUBJECT: *Independent Auditors' Report on SBA's FY 2015 Financial Statements*

We contracted with the independent certified public accounting firm KPMG LLP (KPMG) to audit the U.S. Small Business Administration's (SBA) consolidated financial statements for fiscal year (FY) 2015, ending September 30, 2015. This audit is an annual requirement of the Chief Financial Officers' Act of 1990, and was conducted in accordance with the *Generally Accepted Government Auditing Standards*; the Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*; and the U.S. Government Accountability Office's *Financial Audit Manual* and *Federal Information System Controls Audit Manual.*

The attached independent auditors' report presents an unmodified opinion on SBA's consolidated financial statements for FY 2015. Specifically, KPMG reported that:

- The financial statements were fairly presented in all material aspects in conformity with U.S. generally accepted accounting principles.
- There were no material weaknesses in internal control.
- There is a significant deficiency related to SBA's information technology security controls, which has been identified in the past.
- There is one instance of noncompliance with laws and regulations related to the Debt Collection Improvement Act of 1996, which also has been reported in the past.

KPMG noted that SBA management identified a matter that may be reported as a violation of the Antideficiency Act. The outcome of this matter and any resulting ramifications is not presently known.

Details regarding KPMG's conclusions are included in the "Compliance and Other Matters" section, and Exhibit I to this report. Within 30 days of this report, KPMG expects to issue a separate letter to SBA management regarding other, less significant matters that came to its attention during the audit.

We reviewed a copy of KPMG's report and related documentation and made necessary inquiries of their respective representatives. Our review was not intended to enable us to express—and we do not express—an opinion on SBA's financial statements, KPMG's conclusions about the effectiveness of internal controls, or its conclusions about SBA's compliance with laws and regulations. However, our review disclosed no instances where KPMG did not comply, in all material respects, with the *Generally Accepted Government Auditing Standards*.

We provided a draft of KPMG's report to SBA's Chief Financial Officer, who concurred with its findings and recommendations and agreed to implement the recommendations. The Chief Financial Officer's comments are attached as Exhibit II to this report.

We appreciate the cooperation and assistance of SBA and KPMG. Should you or your staff have any questions, please contact me at (202) 205-7390 or Jeffrey R. Brindle, Director of the Information Technology and Financial Management Group at (202) 205-7490.

cc: Nick Maduros, Chief of Staff
Melvin F. Williams, Jr., General Counsel
Martin Conrey, Attorney Advisor, Legislation and Appropriations
LaNae Twite, Director, Office of Internal Controls

Attachment

INDEPENDENT AUDITORS' REPORT ON FY 2015 FINANCIAL STATEMENTS

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General
United States Small Business Administration:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. Small Business Administration (SBA), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

SBA's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Small Business Administration as of September 30, 2015 and 2014, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Within the Management's Discussion and Analysis and Other Information, sections of the *Agency Financial Report*, Management has elected to include references to information on websites to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information in Management's Discussion and Analysis, Required Supplementary Information, and Required Supplementary Stewardship Information be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated 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 consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The Message from the Administrator, Other Information, and the information on pages 41 to 45 of the *Agency Financial Report*, are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2015, we considered SBA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of SBA's internal control. Accordingly, we do not express an opinion on the effectiveness of SBA's internal control. 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our fiscal year 2015 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we did identify a combination of certain deficiencies in internal control, described in Exhibit I that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SBA's consolidated financial statements are free from material misstatement, we performed tests of its 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 financial statement amounts. 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02. Specifically, our audit results noted noncompliance with the Debt Collection Improvement Act of 1996 (DCIA or Act) which is described below:

> The DCIA gave the U.S. Department of Treasury (Treasury) significant responsibilities for collecting delinquent debts, Government-wide. The Act requires Federal agencies to transfer their nontax delinquent debt to Treasury. During our test work over loan charge-offs, we noted that SBA did not timely refer obligors (i.e., eligible principal borrowers, co-borrowers, and/or guarantors) to Treasury for offset or cross-servicing as required by DCIA. Similar instances of noncompliance with the Act were reported in prior years. SBA's noncompliance with the DCIA was the result of deficiencies in information technology controls. For additional discussion of the information technology aspects of this finding and the related recommendation, see Exhibit I.

Additionally, management has identified a matter that may be reported as a violation of the Antideficiency Act. The outcome of this matter, and any resulting ramifications, is not presently known.

We also performed tests of SBA's compliance with certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of FFMIA disclosed no instances in which SBA's financial management systems did not substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

SBA's Response to Findings

SBA's response to the findings identified in our audit is described in the accompanying Exhibit II. SBA's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of SBA's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
November 16, 2015

Exhibit I

U.S. Small Business Administration

Significant Deficiency

Improvement Needed in Information Technology Security Controls

During the FY 2015 financial statement audit, we found that the U.S. Small Business Administration (SBA) continued to implement corrective actions on some of the prior year findings; however, a number of conditions persisted in FY 2015 that reduced SBA's ability to effectively manage its information system risks. As a result, collectively, these conditions continue to present a significant deficiency in SBA's internal control environment.

In an effort to provide additional clarity to SBA management with respect to the corrective actions required, we enhanced our prior year recommendations where issues persisted in FY 2015, and issued additional recommendations for the new control deficiencies identified. In the sections below, we distinguish between recurring conditions and related recommendations, and those that were newly identified in FY 2015. We have omitted some technical details from the conditions and recommendations due to the sensitivity of the information. These details were communicated to management in Notices of Findings and Recommendations throughout the audit.

We have summarized the Information Technology (IT) control deficiencies that we noted during the FY 2015 audit below, and have organized them by the following general IT control objectives: logical access controls, application change management, system configuration management, and contingency planning.

Logical Access Controls

An integral part of the effectiveness of an organization's security program management efforts should be to ensure that logical access controls provide reasonable assurance that IT resources, such as data files, application programs, and IT-related facilities/equipment, are protected against unauthorized modification, disclosure, loss, or impairment.

Our audit found that the following control deficiencies identified in prior year(s) persisted in FY 2015:

- User accounts were not properly authorized in accordance with SBA policy.
- User accounts were not recertified in accordance with SBA policy.
- The principle of "least privilege" for user/service accounts with administrator privileges was not enforced.
- User accounts were not disabled or promptly removed upon personnel termination.
- The employee exit clearance and contractor off-boarding processes were not standardized to ensure that access to SBA's systems was timely removed upon separation.
- Processes for consistently and effectively reviewing audit logs were not implemented.

Exhibit I

U.S. Small Business Administration

Significant Deficiency

Recommendations – Logical Access Controls:

We have issued the following recommendations to address the repeat control deficiencies listed in the section above.

We recommend that the Chief Information Officer (CIO) coordinate with SBA program offices to:

1. Implement and monitor procedures to ensure that access is appropriately granted to employees and contractors, consistent with the conditions on their access forms after all approvals have been obtained.
2. Implement procedures to ensure that user access, including user accounts and associated roles, is reviewed on a periodic basis consistent with the nature and risk of the system, and any necessary account modifications be performed when identified.
3. Grant elevated privileges per business needs only, and enforce the concept of least privilege or implement mitigating controls to ensure that activities performed using privileged accounts (including service accounts) are properly monitored.
4. Improve SBA's administration of logical system access by taking the following actions:
    - Implement an effective off-boarding process, and periodically verify that controls to remove logical access for separated employees are implemented and operating as designed;
    - Establish a process for the identification and removal of separated contractors to help ensure that access is timely removed upon contractor separation; and
    - Timely remove access to general support systems and major applications (including development and test environments) when employees and contractors are terminated.
5. Improve SBA's information system logging and auditing program, by taking the following actions:
    - Review and rationalize current audit and logging activities and capabilities to determine their effectiveness in addressing risks to systems and data;
    - Implement and enforce consistent and effective creation of audit records, capturing relevant auditable events, auditing (i.e., manual or automated review of audit records) for specified events, and automated alerting on specified events across SBA's infrastructure using a risk-based approach;
    - Retain evidence of the audit log review; and
    - Develop an Agency-wide plan and schedule for implementing the above recommendations.

Application Change Management

The integrity of information processing is dependent on the controlled management of changes to the software that controls the processing. Software change management is designed to reduce the risk of unauthorized or erroneous changes to software. Our audit found the following control deficiencies remain, that were identified in a prior year:

Exhibit I

U.S. Small Business Administration

Significant Deficiency

- The change management process for one system, which includes several applications, did not sufficiently reduce the risk of an unauthorized change being made to the production environment. Specifically, the SBA did not review or compare system code to ensure that only authorized changes had been made, and the audit log review process was not designed to detect unauthorized changes to application software.
- Required software changes for one subsystem were not implemented due to the ongoing code migration project which impacted SBA's compliance with the Debt Collection Improvement Act of 1996 in that system. This issue was reported as a noncompliance matter in the "Compliance and Other Matters" section of our audit report.

In addition to the matters above, we noted the following additional control deficiency during our FY 2015 audit:

- The Security Authorization Package for one system was not updated to reflect control changes resulting from the migration to a new system environment, and the system was not reauthorized in accordance with SBA policy.

<u>Recommendations – Application Change Management:</u>

We have issued the following recommendations to address the repeat control deficiencies listed in the section above, and recommend that the:

6. Associate Administrator, Office of Capital Access (OCA), in coordination with the CIO, design and implement a combination of preventative and detective controls to address the issues and related risks in the condition above, and ensure an auditable trail of software changes is maintained to prevent and detect unauthorized changes to production programs.
7. Associate Administrator, OCA, in conjunction with the CIO, perform a comprehensive review of system protocols to determine if any other coding problems exist that may cause untimely referral of obligors, and address outstanding system protocol issues as identified.

To address the newly identified change management control weakness, we recommend that the:

8. Associate Administrator, OCA, in coordination with the CIO, implement controls and processes to ensure that system changes are adequately tested, testing documentation is maintained, and system Security Authorization Packages are updated to reflect major system changes.

System Configuration Management

The primary focus of an organization's system configuration management process should be to control the security configuration of its infrastructure including servers, databases, network equipment, security appliances, and security services. Without such controls, there is a risk that security features could be inadvertently, or deliberately, omitted or turned off, introducing risk into the IT environment.

Our audit noted that the following prior year control deficiency persisted in FY 2015:

- Numerous critical-, high- and medium-risk configuration and patch management vulnerabilities were noted in certain systems.

Exhibit I

U.S. Small Business Administration

Significant Deficiency

Recommendation – System Configuration Management:

To address the repeat system configuration management condition above, we recommend that the:

9. CIO coordinate with SBA program offices to address the existing configuration and patch management vulnerabilities noted during our assessment to be in compliance with SBA policy and SBA Information System Vulnerability Management Plan, Version 1.0. In addition, implement procedures to ensure the consistent implementation and monitoring of SBA approved security configuration baselines across SBA's workstations, servers, databases, network devices, and other security relevant appliances.

Contingency Planning

The focus of an organization's contingency planning program should be to provide reasonable assurance that information resources are protected and the risk of unplanned interruptions is minimized. Without such controls, there is a risk that data may be lost or that critical operations may not resume in a timely manner.

Our audit noted that the following prior year control deficiencies persisted in FY 2015:

- Some of the systems were not configured to retain full backups in accordance with SBA Standard Operating Procedure (SOP) 90.47.3, *Information System Security Program*.
- Incremental or full backups for some of the systems were not retained in accordance with SOP 90.47.3.

Recommendation – Contingency Planning:

To address the repeat contingency planning conditions above, we recommend that the:

10. CIO, Chief Financial Officer, and Associate Administrator, OCA, ensure that incremental and full backups for all systems, including related support infrastructure, are configured and retained in accordance with SBA policies.

Exhibit II

CFO Response to Draft Audit Report on FY 2015 Financial Statements

DATE: November 16, 2015

TO: Troy Meyer, Assistant Inspector General for Auditing

FROM: Tami Perriello, Associate Administrator for Performance Management and Chief Financial Officer

SUBJECT: Draft Audit Report on FY 2015 Financial Statements

The Small Business Administration has received the draft Independent Auditors' Report from KPMG that includes the auditors' opinion on the financial statements and its review of the Agency's internal control over financial reporting and compliance with laws and regulations. The independent audit of the Agency's financial statements and related processes is a core component of SBA's financial management program.

We are pleased that the SBA has again received an unmodified audit opinion with no material weaknesses from the independent auditor. We believe these results accurately reflect the quality of the Agency's financial statements and our improved accounting, budgeting and reporting processes. As you know, the SBA has worked hard in past years to address the findings from our independent auditor. Our core financial reporting data and processes have further improved, and we are proud that the results of our efforts have been confirmed.

The audit report includes a continuing significant deficiency in SBA's information technology controls. The SBA will continue to work on improvements in IT security, specifically in access controls, change controls and mitigation of vulnerabilities.

The auditor reported again this year that the SBA is not compliant with the Debt Collection Improvement Act of 1996 related to timely referral of charged-off loans to the Department of the Treasury for its tax refund offset and collection programs. Although the SBA made improvements to correct systemic errors identified last year, the auditors again found instances of charged-off loans where co-borrowers and guarantors were not referred to Treasury. The SBA is working on procedures to correct this issue.

The auditor reported that a potential violation of the Antideficiency Act was identified during the year. The SBA has taken appropriate steps to correct the problem identified and is in the process of preparing the reports required under the Act.

We appreciate your efforts and those of your colleagues in the Office of the Inspector General, as well as those of KPMG. The independent audit process continues to provide us with new insights and valuable recommendations that will further enhance SBA's financial management practices. We remain committed to excellence in financial management and look forward to making more progress in the coming year.

FINANCIAL STATEMENTS AND NOTES

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

SBA's management is responsible for the accuracy and propriety of the information contained in the principal financial statements and the quality of internal controls. The SBA prepares these financial statements from its books and records in accordance with generally accepted accounting principles in the United States as well as formats prescribed by the Office of Management and Budget. While these statements have been prepared from SBA's books and records in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB, they are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are a component of the U.S. Government, a sovereign entity.

The financial statements include the following reports.

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

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

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

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

The **Notes to the Financial Statements** provide information to explain the basis of the accounting and presentation used to prepare the statements and to explain specific items in the statements. They also provide information to support how particular accounts have been valued and computed.

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

The **Required Supplementary Stewardship Information** provides information on SBA's investment in human capital that supports the increase or maintenance of national economic productivity capacity through education and training programs.

U. S. Small Business Administration

Consolidated Balance Sheet

as of September 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
ASSETS		
Intragovernmental Assets		
Fund Balance with Treasury (Note 2)	$ 5,365,418	$ 6,110,111
Accounts Receivable (Note 5)	30	–
Advances (Note 1)	46,166	28,173
Total Intragovernmental Assets	5,411,614	6,138,284
Assets - Public and Other		
Cash (Note 3)	1,164	1,264
Accounts Receivable, Net (Note 5)	98,206	83,816
Credit Program Receivables and Related Foreclosed Property, Net (Note 6)	6,502,745	6,946,903
General Property and Equipment, Net (Note 7)	2,562	4,729
Advances (Note 1)	4,576	9,255
Total Assets - Public and Other	6,609,253	7,045,967
Total Assets	**$ 12,020,867**	**$ 13,184,251**
LIABILITIES		
Intragovernmental Liabilities		
Interest Payable	$ 620	$ 864
Debt (Note 9)	7,175,344	7,756,100
Net Assets of Liquidating Funds Due to Treasury (Note 10)	13,818	10,140
Downward Reestimate Payable to Treasury (Note 1, Note 13)	1,600,653	1,637,283
Other (Note 11)	10,147	9,984
Total Intragovernmental Liabilities	8,800,582	9,414,371
Other Liabilities - Public		
Accounts Payable (Note 1)	33,540	47,707
Accrued Grant Liability (Note 1)	76,000	77,000
Liability for Loan Guaranties (Note 6)	1,661,516	2,044,509
Federal Employees' Compensation Act Actuarial Liability (Note 1, Note 8)	31,691	34,627
Surety Bond Guarantee Program Future Claims (Note 8)	43,679	35,799
Other (Note 11)	35,829	41,790
Total Other Liabilities - Public	1,882,255	2,281,432
Total Liabilities	**10,682,837**	**11,695,803**
NET POSITION		
Unexpended Appropriations (Note 1)	1,600,847	1,692,804
Cumulative Results of Operations (Note 1)	(262,817)	(204,356)
Total Net Position	**1,338,030**	**1,488,448**
Total Liabilities and Net Position	**$ 12,020,867**	**$ 13,184,251**

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Consolidated Statement of Net Cost

For the Years Ended September 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
STRATEGIC GOAL 1: Growing Businesses and Creating Jobs		
Gross Cost	$ (365,676)	$ (107,258)
Less: Earned Revenue	463,824	511,728
Net Cost of Strategic Goal 1	**(829,500)**	**(618,986)**
STRATEGIC GOAL 2: Serving as the Voice for Small Business		
Gross Cost	109,638	109,488
Net Cost of Strategic Goal 2	**109,638**	**109,488**
STRATEGIC GOAL 3: Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses		
Gross Cost	40,427	25,830
Net Cost of Strategic Goal 3	**40,427**	**25,830**
COST NOT ASSIGNED TO STRATEGIC GOALS		
Gross Cost	34,845	17,274
Net Cost Not Assigned to Strategic Goals	**34,845**	**17,274**
Net Cost of Operations	**$ (644,590)**	**$ (466,394)**

Note 14

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Consolidated Statement of Changes in Net Position

For the Years Ended September 30, 2015 and 2014

(Dollars in Thousands)

	2015	2014
Beginning Cumulative Results of Operations	$ **(204,356)**	$ **(369,882)**
Budgetary Financing Sources		
Appropriations Used	1,122,290	1,325,564
Donations of Cash and Cash Equivalents	66	40
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others	16,050	21,893
Other - Current Year Liquidating Equity Activity	(12,736)	(3,218)
Other - Non-entity Activity	(1,828,721)	(1,645,147)
Total Financing Sources	**(703,051)**	**(300,868)**
Less: Net Cost of Operations	**(644,590)**	**(466,394)**
Ending Cumulative Results of Operations	**$ (262,817)**	**$ (204,356)**
Beginning Unexpended Appropriations	**$ 1,692,804**	**$ 1,753,736**
Budgetary Financing Sources		
Appropriations Received	1,150,247	1,278,241
Adjustment - Cancelled Authority	(116,492)	(9,434)
Return of Unrequired Liquidating Fund Appropriation	(2,965)	(3,534)
Other Adjustments	(457)	(641)
Appropriations Used	(1,122,290)	(1,325,564)
Total Budgetary Financing Sources	**(91,957)**	**(60,932)**
Ending Unexpended Appropriations	**$ 1,600,847**	**$ 1,692,804**
Ending Net Position	**$ 1,338,030**	**$ 1,488,448**

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Combined Statement of Budgetary Resources

For the Years Ended September 30, 2015 and 2014

(Dollars in Thousands)

	September 30, 2015		
	Budgetary	**Nonbudgetary Financing**	**Total**
BUDGETARY RESOURCES			
Unobligated Balance Brought Forward, October 1	$ 1,363,051	$ 4,349,196	$ 5,712,247
Recoveries of Prior Year Obligations	49,028	43,253	92,281
Other Changes in Unobligated Balance	(116,492)	(750)	(117,242)
Unobligated Balance from Prior Year Budget Authority, net	1,295,587	4,391,699	5,687,286
Appropriations (discretionary and mandatory)	1,147,282	–	1,147,282
Borrowing Authority (discretionary and mandatory)	–	550,948	550,948
Spending Authority from Offsetting Collections	378,825	2,532,447	2,911,272
Total Budgetary Resources	**$ 2,821,694**	**$ 7,475,094**	**$ 10,296,788**
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred	$ 1,535,235	$ 3,782,888	$ 5,318,123
Unobligated Balance, end of year:			
Apportioned	390,580	1,081,724	1,472,304
Unapportioned	895,879	2,610,482	3,506,361
Total Unobligated Balance, end of year	1,286,459	3,692,206	4,978,665
Total Status of Budgetary Resources	**$ 2,821,694**	**$ 7,475,094**	**$ 10,296,788**
CHANGE IN OBLIGATED BALANCE			
Unpaid Obligations:			
Unpaid Obligations, Brought Forward, October 1	$ 485,198	$ 245,561	$ 730,759
Obligations Incurred	1,535,235	3,782,888	5,318,123
Gross Outlays	(1,513,945)	(3,784,215)	(5,298,160)
Recoveries of Prior Year Unpaid Obligations	(49,028)	(43,253)	(92,281)
Unpaid Obligations, end of year	457,460	200,981	658,441
Uncollected Payments:			
Uncollected Payments, Federal Sources, brought forward, October 1	–	(143,009)	(143,009)
Change in Uncollected Payments, Federal Sources	–	47,834	47,834
Uncollected Payments, Federal Sources, end of year	–	(95,175)	(95,175)
Memorandum (non-add) entries:			
Obligated Balance, start of year	**$ 485,198**	**$ 102,552**	**$ 587,750**
Obligated Balance, end of year	**$ 457,460**	**$ 105,806**	**$ 563,266**
BUDGET AUTHORITY AND OUTLAYS, NET			
Budget Authority, gross (discretionary and mandatory)	$ 1,526,107	$ 3,083,395	$ 4,609,502
Actual Offsetting Collections (discretionary and mandatory)	(388,340)	(3,725,160)	(4,113,500)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	–	47,834	47,834
Budget Authority, net (discretionary and mandatory)	**$ 1,137,767**	**$ (593,931)**	**$ 543,836**
Gross Outlays (discretionary and mandatory)	$ 1,513,945	$ 3,784,215	$ 5,298,160
Actual Offsetting Collections (discretionary and mandatory)	(388,340)	(3,725,160)	(4,113,500)
Net Outlays (discretionary and mandatory)	1,125,605	59,055	1,184,660
Distributed Offsetting Receipts	(6,364)	(1,865,351)	(1,871,715)
Agency Outlays, net (discretionary and mandatory)	**$ 1,119,241**	**$ (1,806,296)**	**$ (687,055)**

Note 15

The accompanying notes are an integral part of these statements.

U. S. Small Business Administration

Combined Statement of Budgetary Resources

For the Years Ended September 30, 2015 and 2014

(Dollars in Thousands)

	September 30, 2014		
	Budgetary	Nonbudgetary Financing	Total
BUDGETARY RESOURCES			
Unobligated Balance Brought Forward, October 1	$ 1,297,199	$ 4,136,787	$ 5,433,986
Recoveries of Prior Year Obligations	105,039	317,098	422,137
Other Changes in Unobligated Balance	(34,053)	(965,794)	(999,847)
Unobligated Balance from Prior Year Budget Authority, net	1,368,185	3,488,091	4,856,276
Appropriations (discretionary and mandatory)	1,274,707	–	1,274,707
Borrowing Authority (discretionary and mandatory)	–	762,945	762,945
Spending Authority from Offsetting Collections	381,357	3,551,374	3,932,731
Total Budgetary Resources	**$ 3,024,249**	**$ 7,802,410**	**$ 10,826,659**
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred	$ 1,661,198	$ 3,453,214	$ 5,114,412
Unobligated Balance, end of year:			
Apportioned	398,548	1,586,238	1,984,786
Unapportioned	964,503	2,762,958	3,727,461
Total Unobligated Balance, end of year	1,363,051	4,349,196	5,712,247
Total Status of Budgetary Resources	**$ 3,024,249**	**$ 7,802,410**	**$ 10,826,659**
CHANGE IN OBLIGATED BALANCE			
Unpaid Obligations:			
Unpaid Obligations, Brought Forward, October 1	$ 639,951	$ 701,530	$ 1,341,481
Obligations Incurred	1,661,198	3,453,214	5,114,412
Gross Outlays	(1,710,912)	(3,592,085)	(5,302,997)
Recoveries of Prior Year Unpaid Obligations	(105,039)	(317,098)	(422,137)
Unpaid Obligations, end of year	485,198	245,561	730,759
Uncollected Payments:			
Uncollected Payments, Federal Sources, brought forward, October 1	–	(296,519)	(296,519)
Change in Uncollected Payments, Federal Sources	–	153,510	153,510
Uncollected Payments, Federal Sources, end of year	–	(143,009)	(143,009)
Memorandum (non-add) entries:			
Obligated Balance, start of year	**$ 639,951**	**$ 405,011**	**$ 1,044,962**
Obligated Balance, end of year	**$ 485,198**	**$ 102,552**	**$ 587,750**
BUDGET AUTHORITY AND OUTLAYS, NET			
Budget Authority, gross (discretionary and mandatory)	$ 1,656,064	$ 4,314,319	$ 5,970,383
Actual Offsetting Collections (discretionary and mandatory)	(392,155)	(3,923,558)	(4,315,713)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	–	153,510	153,510
Budget Authority, net (discretionary and mandatory)	**$ 1,263,909**	**$ 544,271**	**$ 1,808,180**
Gross Outlays (discretionary and mandatory)	$ 1,710,912	$ 3,592,085	$ 5,302,997
Actual Offsetting Collections (discretionary and mandatory)	(392,155)	(3,923,558)	(4,315,713)
Net Outlays (discretionary and mandatory)	1,318,757	(331,473)	987,284
Distributed Offsetting Receipts	900	(1,124,055)	(1,123,155)
Agency Outlays, net (discretionary and mandatory)	**$ 1,319,657**	**$ (1,455,528)**	**$ (135,871)**

Note 15

The accompanying notes are an integral part of these statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Small Business Act of 1953 created the Small Business Administration as an independent federal agency. SBA's mission is to maintain and strengthen the nation's economy by enabling the establishment and vitality of small businesses and by assisting in the economic recovery of communities after disasters. The SBA operates through the execution of a congressionally approved budget that funds its programs.

Basis of Accounting and Presentation

The SBA prepares financial statements to report its financial position and results of its operations as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. The financial statements are prepared from the Agency's records in accordance with generally accepted accounting principles using formats prescribed by the Office of Management and Budget. As a federal agency, the SBA cannot incur obligations without authority from the Congress and an apportionment by the OMB.

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

The Federal Credit Reform Act of 1990 governs SBA's accounting for direct loans and loan guaranties made in FY 1992 and thereafter. Under the FCRA, the liability for loan guaranties is determined as the summarized discounted present value of the estimated future net cash inflows and outflows for each fiscal year's cohort of guaranties. For direct loans, the allowance is the current outstanding FCRA loans receivable balance less the discounted present value of the estimated future net cash flows for all the loan cohorts. A cohort of loans receivable or guarantied loans is all of the loans made in a given fiscal year. Increases to individual loans in a cohort that are made in a subsequent fiscal year are accounted for in the subsequent year's loan cohort. Cohort cash flows include loan repayments, recoveries on defaulted guaranties, and loan fees received by the SBA that are due from the lenders and borrowers when the loan is made and during the life of the loan cohort, as well as expenditures by the SBA for defaulted guaranties, loan servicing expenses, and other required SBA expenditures. An initial allowance or liability for loan guaranties is established in the original year of the loan cohort. The initial amount of the allowance and liability for each cohort is reestimated annually at fiscal year-end, and the adjusted amount is included in SBA's annual financial statements. Note 6 further describes FCRA accounting.

Use of Estimates

SBA's management makes assumptions and uses estimates to prepare the financial statements based upon the facts that exist when the statements are prepared. The SBA also uses economic assumptions provided by the Office of Management and Budget in preparing the estimates. Actual results may differ from those assumptions and estimates and the differences may be significant. The most significant differences between actual results and these estimates may occur in the valuation of credit program receivables and liabilities for loan guaranties under guidelines in the Federal Credit Reform Act of 1990. The SBA recognizes the sensitivity of credit reform modeling to slight changes in some model assumptions and therefore continually reviews its model factors and statistical modeling techniques to reflect the most accurate credit program costs possible in its annual financial statements.

Budgets and Budgetary Accounting for Loan Programs

SBA's loan disbursements are financed by appropriations for long-term loan subsidy cost and borrowings from the Treasury's Bureau of the Fiscal Service for the remaining non-subsidized portion of the loans. The Congress may provide one year, multi-year or no year appropriations to cover the estimated long-term costs of the loan programs. The non-subsidized portion of each loan disbursement, financed initially under permanent indefinite authority to borrow funds from the Treasury, is repaid from collections of loan fees, repayments and default recoveries. The Congress authorizes the dollar amount of obligations that can be made for the cost of direct loans and loan guaranties and establishes the maximum amount of loans the SBA can guarantee in its annual appropriation bill.

A permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to the Treasury and are unavailable to the SBA. As required by the Federal Credit Reform Act of 1990, the SBA uses budgetary "program accounts" to account for appropriations in its credit programs and nonbudgetary "financing accounts" to account for credit program cash flow. Estimates and reestimates of credit program subsidy expenses are recorded in SBA's program accounts. Financing accounts are used to account for Treasury borrowings, the collection of loan fees, repayments and default recoveries, and the disbursement of loans and loan expenses.

Advances

The SBA has both intragovernmental advances and advances to the public. Intragovernmental advances are to the Interior Business Center of the Department of the Interior for contracting assistance on work not yet performed. Advances to the public represent prepaid grants to counseling and training partners.

Accounts Payable

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

Accrued Grant Liability

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

Contingencies

The SBA is a party in various administrative proceedings, legal actions, environmental suits, and claims brought against the Agency. In the opinion of SBA's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or results of SBA's operations.

Cumulative Results of Operations

The Cumulative Results of Operations, presented on the Balance Sheet and on the Statement of Changes in Net Position, is the accumulated difference between expenses and financing sources since the inception of the Agency. The deficits reported reflect timing differences between the recording of expenses and the recognition of resources. Most of this timing difference results from subsidy reestimates which are funded in the following year.

Unexpended Appropriations

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

Other Financing Sources

The Statement of Changes in Net Position contains a line item under Other Financing Sources titled Other - Non-entity Activity. This amount is the offset to non-entity collections to the general fund of the Treasury for downward subsidy reestimates.

Employee Benefits

LEAVE

A liability for employee annual leave is accrued as it is earned and reduced as leave is taken. Each year the balance of accrued annual leave is adjusted to reflect current pay rates as well as forfeited "use or lose" leave. Amounts are reported as unfunded to the extent current or prior year appropriations are not available to fund annual leave earned but not taken. Sick leave and other types of non-vested leave are expensed as taken.

EMPLOYEE HEALTH AND LIFE INSURANCE BENEFITS

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

EMPLOYEE PENSION BENEFITS

SBA employees participate in either the Civil Service Retirement System or the Federal Employees Retirement System and Social Security. These systems provide benefits upon retirement and in the event of death, disability or other termination of employment and may also provide pre-retirement benefits. They may also include benefits to survivors and their dependents, and they may contain early retirement or other special features. SBA's contributions to both retirement plans, as well as to the government-wide Federal Insurance Contribution Act, administered by the Social Security Administration, are recognized on the Consolidated Statement of Net Cost as current operating expenses.

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

IMPUTED FINANCING COSTS

The SBA recognizes the full cost of providing all employee benefits and future retirement benefits, including life and health insurance, at the time employee services are rendered. Eligible retired SBA employees can continue to participate in health and life insurance plans. The cost of these benefits is funded through Agency contributions, employee compensation to the extent withheld from employee and retiree pay, from matching of employee withholding for Thrift Savings Plan and FICA, and by the Office of Personnel Management which administers the retirement programs for SBA employees.

The OPM calculates imputed costs as the actuarial present value of future benefits attributed to services rendered by covered employees and eligible retired SBA employees during the accounting period, net of the amounts contributed by employees, retirees, and the Agency. The SBA recognizes these imputed costs in the Statement of Net Cost and imputed financing in determining SBA's net position.

FEDERAL EMPLOYEES' COMPENSATION ACT

The Federal Employees' Compensation Act provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor. Labor pays valid claims as they occur, which are billed to the SBA annually and funded and paid approximately 15 months later. Labor also calculates an estimated actuarial liability for future benefits based upon historical experience and other economic variables. Projected annual benefit payments are then discounted to present value using the forecasted interest rates for 10-year Treasury notes and bonds published by the OMB in its economic assumptions for the federal budget. The SBA recognizes a current unfunded cost for the actual claims paid and the change in the FECA actuarial liability each year.

NOTE 2 FUND BALANCE WITH TREASURY

The Department of the Treasury processes cash receipts and disbursements on SBA's behalf to pay liabilities and finance loan program costs. Cash receipts are deposited into SBA's account at the Treasury. SBA's fund balances with the Treasury are available to make expenditures to liquidate allowable obligations, except for the Non-entity Fund Balance which is not available to the SBA to obligate or expend. Separate records are maintained for SBA's program, financing, liquidating, suspense/budget clearing accounts and other accounts. Fund balances at the Treasury include expired year amounts, which are unavailable for obligation, as well as amounts currently available for new obligations.

(Dollars in Thousands)

As of September 30,		**2015**		**2014**
Appropriated Funds	$	$1,657,534	$	1,766,183
Financing Funds		3,621,114		4,260,921
Liquidating Funds		918		1,124
Revolving Fund		85,257		80,779
Trust Fund		209		162
Total Entity Fund Balance with Treasury		**5,365,032**		**6,109,169**
Budget Clearing Account Balance		386		942
Total Fund Balance with Treasury	**$**	**$5,365,418**	**$**	**6,110,111**
Status of Fund Balance with Treasury				
Unobligated Balance Available	$	$1,472,304	$	1,984,786
Unobligated Balance Unavailable		3,506,361		3,727,461
Obligated Balance Not Yet Disbursed		563,266		587,750
Borrowing Authority Not Converted to Funds		(176,899)		(190,828)
Nonbudgetary		386		942
Total Fund Balance with Treasury	**$**	**$5,365,418**	**$**	**6,110,111**

Unobligated balances become available when OMB approves SBA's request to apportion funds for obligation in the current fiscal year. Obligated balances not yet disbursed include unpaid obligations offset by uncollected customer payments from other federal government accounts. The unobligated and obligated balances are reflected on the Statement of Budgetary Resources.

NOTE 3 CASH

SBA field offices deposit collections from borrowers in SBA's account at the Treasury using an electronic deposit system. At the end of the fiscal year, collections temporarily held by SBA field offices pending deposit are recorded as Undeposited Collections - Cash in Transit and totaled $1.2 million and $1.3 million at September 30, 2015 and 2014.

NOTE 4 FIDUCIARY ACTIVITIES: MASTER RESERVE FUND AND MASTER RESERVE ACCOUNT

Fiduciary activities are the receipt, management, protection, accounting, investment and disposition by the federal government of cash or other assets in which non-federal entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the government, and are not recognized on SBA's proprietary statements, but they are required to be disclosed in the notes to SBA's financial statements. SBA's fiduciary balances are on deposit in commercial banks.

The Master Reserve Fund is a fiduciary activity administered by SBA's fiscal agent, Colson Services Corp., a subsidiary of the Bank of New York Mellon. The balance in the MRF is invested according to SBA policy entirely in Treasury securities and repurchase agreements that are backed by Treasury securities. The MRF is an integral part of SBA's 7(a) secondary market program. The MRF was authorized by the Small Business Secondary Market Improvement Act of 1984 to facilitate the pooling of 7(a) guarantied loans that are purchased by secondary market investors. The 7(a) secondary market program includes SBA's guaranty of timely payment, as well as a default guaranty, to 7(a) secondary market investors. The MRF supports $25.2 billion and $22.5 billion of outstanding SBA guarantied 7(a) loan principal in the secondary market at September 30, 2015 and 2014.

The Master Reserve Account is an SBA fiduciary activity that is administered for the SBA by Wells Fargo. The balance in the MRA is invested entirely in Treasury securities. The MRA facilitates the operation of the 504 Development Company secondary market program. The MRA was authorized by Section 505 of the Small Business Investment Act of 1958 as amended, as a vehicle to receive, temporarily hold and distribute 504 program cash flows. The MRA receives monthly payments from the 504 borrowers and retains the payments until a semi-annual debenture payment is due to the secondary market investors. The 504 secondary market program includes SBA's guaranty of timely payment, as well as a default guaranty, to 504 secondary market investors. The MRA supports $27.7 billion and $28.4 billion of SBA guarantied 504 debentures outstanding in the secondary market at September 30, 2015 and 2014.

The composition of the MRF and MRA and a reconciliationof the changes in the assets are included in the following table.

MASTER RESERVE FUND AND MASTER RESERVE ACCOUNT

(Dollars in Thousands)

FIDUCIARY ASSETS

As of September 30,	2015			2014		
	MRF	MRA	Total	MRF	MRA	Total
Cash	$ 2,338	$ –	$ 2,338	$ 44,994	$ –	$ 44,994
Short Term Securities						
Money Market Funds	5,866	722,814	728,680	76,758	636,789	713,547
Treasury Bills	719,705	–	719,705	404,924	–	404,924
Repurchase Agreements	201,800	–	201,800	223,892	–	223,892
Total Cash and Short Term Securities	**929,709**	**722,814**	**1,652,523**	**750,568**	**636,789**	**1,387,357**
Long Term Securities						
Treasury Notes Including Interest	2,235,855	–	2,235,855	2,113,153	–	2,113,153
Total Long Term Securities	**2,235,855**	**–**	**2,235,855**	**2,113,153**	**–**	**2,113,153**
Net Assets	**$ 3,165,564**	**$ 722,814**	**$ 3,888,378**	**$ 2,863,721**	**$ 636,789**	**$ 3,500,510**

MASTER RESERVE FUND AND MASTER RESERVE ACCOUNT

(Dollars in Thousands)

RECONCILIATION OF FIDUCIARY ASSETS

For the Years Ended September 30,	2015			2014		
	MRF	MRA	Total	MRF	MRA	Total
Beginning Net Assets	**$ 2,863,721**	**$ 636,789**	**$ 3,500,510**	**$ 2,668,828**	**$ 700,760**	**$ 3,369,588**
Receipts						
Earned Income	30,661	98	30,759	33,616	106	33,722
Contributions	5,024,260	16,627,797	21,652,057	4,011,870	13,483,031	17,494,901
Net Realized Gain (Loss)	(3,435)	–	(3,435)	(4,239)	–	(4,239)
Total Receipts	**5,051,486**	**16,627,895**	**21,679,381**	**4,041,247**	**13,483,137**	**17,524,384**
Less Disbursements						
Payments to Investors	4,749,643	16,541,870	21,291,513	3,846,354	13,547,108	17,393,462
Total Disbursements	**4,749,643**	**16,541,870**	**21,291,513**	**3,846,354**	**13,547,108**	**17,393,462**
Ending Net Assets	**$ 3,165,564**	**$ 722,814**	**$ 3,888,378**	**$ 2,863,721**	**$ 636,789**	**$ 3,500,510**

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable include amounts owed by the public for guaranty fees in SBA's loan and surety bond programs, refunds due from employees and others, as well as other amounts owed by lenders on guarantied loans purchased by the SBA. An Allowance for Loss on uncollectible Surety Bond Guaranty fees is based on an aging of delinquent balances. The uncollectible amount for refunds and loan guaranty fees is not significant and no allowance is provided. Amounts over 180 days past due on guarantied loans purchased by the SBA are written off for financial reporting purposes.

(Dollars in Thousands)

As of September 30,	2015	2014
Intragovernmental		
Administrative Receivables	$ 30	$ –
Total Intragovernmental	**$ 30**	**$ –**
Public		
Guaranty Fees Receivable	$ 92,221	$ 77,510
Refunds	545	437
Other	5,493	5,899
Total Public	**98,259**	**83,846**
Allowance For Loss	(53)	(30)
Net Public	**$ 98,206**	**$ 83,816**

NOTE 6 CREDIT PROGRAM RECEIVABLES AND LIABILITY FOR LOAN GUARANTIES

A. Loan Program Descriptions and Accounting

LOAN PROGRAM DESCRIPTIONS

The SBA provides guaranties that help small businesses obtain bank loans and licensed companies to make investments in qualifying small businesses. The SBA also makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses to recover from disasters.

MAJOR DIRECT LOAN AND LOAN GUARANTY PROGRAMS

Program group	Program type	Program
Disaster	Direct	Disaster Assistance Loans
Business	Guarantied	7(a) Loan Guaranty
Business	Guarantied	504 Certified Development Company
Business	Guarantied	Small Business Investment Company Debentures
Business	Direct	7(m) Microloan

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

SBA's business loan programs include its flagship 7(a) Loan Guaranty program in which the SBA guarantees up to 90 percent of the principal amount of loans made by banks and other lending institutions to small businesses not able to obtain credit elsewhere.

The Section 504 Certified Development Company program guarantees 100 percent of the principal and interest payments on debentures issued by development companies that make small business loans secured primarily by real estate.

The Small Business Investment Company Debentures program guarantees principal and interest payments on securities issued by investment capital firms, which in turn make investments in small businesses.

The 7(m) Microloan program provides direct loans to nonprofit intermediaries, which use these funds to make loans up to $50,000 to eligible small businesses.

CREDIT SUBSIDY MODELING

The SBA estimates future cash flows for direct and guarantied loans using economic and financial credit subsidy models. These estimated cash flows are used to develop the subsidy funding required under the Federal Credit Reform Act of 1990. The SBA has developed a customized credit subsidy model for each of its major loan guaranty programs.

SBA's models vary in the specific methodologies employed to forecast future program cash flows. In general, however, models for all major credit programs use historical data as the basis for assumptions about future program performance and then translate these assumptions into nominal cash flow estimates by applying rules about program structure. Nominal cash flow forecasts are discounted using the Office of Management and Budget's Credit Subsidy Calculator that has both forecasted and actual Treasury interest rates.

Historical data is used as the basis for program performance assumptions. The historical data undergoes quality review and analysis prior to its use in developing model assumptions.

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

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

SUBSIDY FUNDING UNDER THE FEDERAL CREDIT REFORM ACT

FCRA requires that the credit subsidy costs of direct loans and loan guaranties be expensed in the year loans are disbursed. The credit subsidy cost is the net present value of expected cash inflows and outflows over the life of a guarantied loan, or the difference between the net present value of expected cash flows and the face value of a direct loan. The cost expressed as a percentage of loans disbursed is termed the subsidy rate. The SBA receives appropriations annually to fund its credit programs based on the subsidy rate that applies to the credit program level approved by Congress. The SBA records subsidy expenses when loans are disbursed. In accordance with FCRA, subsidy costs are reestimated annually.

CREDIT PROGRAM RECEIVABLES AND RELATED FORECLOSED PROPERTY, NET

FCRA governs direct loans made after FY 1991. FCRA direct loans are valued at the present value of expected future cash flows, discounted at the interest rate of marketable Treasury securities. The subsidy allowance represents the difference between the outstanding loans receivable balance and the net present value of the estimated cash flows of the loans over their remaining term. The subsidy allowance is subtracted from the outstanding loans receivable balance to obtain the net loans receivable balance.

Guarantied loans purchased by the SBA upon borrower default are established as loans receivable and are valued in a similar manner as direct loans under FCRA.

Direct loans and defaulted guaranties made prior to FCRA are valued at the current receivable balance net of an allowance for uncollectible amounts calculated using historical loss experience.

The SBA advances payments semiannually to honor SBA's timely payment requirement of principal and interest due for debentures in SBA's Section 504 Certified Development Company and Small Business Investment Company programs. The advances are liquidated by receipt of the payments due from borrowers in these programs. Advance balances are reported as Other Loans Receivable.

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

Foreclosed property is comprised of real and business-related and personal property acquired through foreclosure on direct loans and defaulted loan guaranties. Properties acquired as a result of defaulted loans committed after FY 1991 are shown at recoverable value which is adjusted to the present value of expected future cash flows for financial statement presentation through the allowance for subsidy. Other foreclosed property is shown at the appraised value. At September 30, 2015 SBA's foreclosed property was $30.4 million related to 87 loans. The properties had been held for an average of 1,106 days. At September 30, 2014 foreclosed property was $43.0 million related to 93 loans. The properties had been held for an average of 860 days.

VALUATION METHODOLOGY FOR THE LIABILITY FOR LOAN GUARANTIES UNDER FCRA

FCRA also governs loan guaranties made after FY 1991. A liability for outstanding guaranties is included on SBA's Balance Sheet. The liability for guarantied loans committed after FY 1991 is based on the net present value of their expected future cash flows including guaranty fee inflows and the net cash outflows of defaulted guarantied loans purchased by SBA.

VALUATION METHODOLOGY FOR PRE-FCRA LIABILITY FOR LOAN GUARANTIES

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

B. Credit Program Receivables and Related Foreclosed Property, Net

(Dollars in Thousands)

As of September 30, 2015	Pre-1992 Loans	Post-1991 Loans	Total
Direct Business Loans			
Business Loans Receivable	$ $5,631	$ 167,569	$ 173,200
Interest Receivable	2,277	528	2,805
Foreclosed Property	3,110	–	3,110
Allowance	(6,672)	(11,562)	(18,234)
Total Direct Business Loans	**4,346**	**156,535**	**160,881**
Direct Disaster Loans			
Disaster Loans Receivable	2,907	6,314,459	6,317,366
Interest Receivable	145	32,947	33,092
Foreclosed Property	–	1,601	1,601
Allowance	(555)	(1,087,238)	(1,087,793)
Total Direct Disaster Loans	**2,497**	**5,261,769**	**5,264,266**
Defaulted Guarantied Business Loans & Other Loans Receivable			
Defaulted Guarantied Business Loans	5,634	5,492,503	5,498,137
Other Loans Receivable (see note below)	–	226,571	226,571
Interest Receivable	6,698	73,858	80,556
Foreclosed Property	2,019	23,628	25,647
Allowance	(8,691)	(4,744,622)	(4,753,313)
Total Defaulted Guarantied Business Loans & Other Loans Receivable	**5,660**	**1,071,938**	**1,077,598**
Total Credit Program Receivables & Related Foreclosed Property, Net			**$ 6,502,745**

As of September 30, 2014	Pre-1992 Loans	Post-1991 Loans	Total
Direct Business Loans			
Business Loans Receivable	$ 5,727	$ 166,658	$ 172,385
Interest Receivable	2,142	683	2,825
Foreclosed Property	3,109	–	3,109
Allowance	(8,268)	(10,253)	(18,521)
Total Direct Business Loans	**2,710**	**157,088**	**159,798**
Direct Disaster Loans			
Disaster Loans Receivable	3,707	6,761,361	6,765,068
Interest Receivable	140	33,462	33,602
Foreclosed Property	–	2,409	2,409
Allowance	(548)	(1,230,152)	(1,230,700)
Total Direct Disaster Loans	**3,299**	**5,567,080**	**5,570,379**
Defaulted Guarantied Business Loans & Other Loans Receivable			
Defaulted Guarantied Business Loans	8,436	6,984,380	6,992,816
Other Loans Receivable (see note below)	–	284,795	284,795
Interest Receivable	656	73,688	74,344
Foreclosed Property	2,070	35,381	37,451
Allowance	(8,407)	(6,164,273)	(6,172,680)
Total Defaulted Guarantied Business Loans & Other Loans Receivable	**2,755**	**1,213,971**	**1,216,726**
Total Credit Program Receivables & Related Foreclosed Property, Net			**$ 6,946,903**

Note: Other Loans Receivable includes payments advanced by the SBA against future reimbursements in the SBIC and 504 guaranty programs.

C. Loans Disbursed and Outstanding Loan Obligations

(Dollars in Thousands)

DIRECT LOANS

New Loans Disbursed During the Year Ended September 30,		2015		2014
Business Direct Loan Program	$	25,917	$	36,410
Disaster Loan Program		294,066		438,375
Total Direct Loans Disbursed	**$**	**319,983**	**$**	**474,785**

Outstanding Loan Obligations as of September 30,		2015		2014
Business Direct Loan Program	$	43,991	$	40,669
Disaster Loan Program		116,667		156,158
Total Direct Loan Obligations	**$**	**160,658**	**$**	**196,827**

GUARANTIED LOANS

New Loans Disbursed During the Year Ended September 30,		2015		2014
Total Principal Disbursed at Face Value	$	24,933,967	$	22,453,725
Total Principal Disbursed Guarantied by the SBA		19,775,428		18,001,119

Outstanding Loan Obligations as of September 30,		2015		2014
Business Guarantied Loan Programs	$	16,070,177	$	14,548,472

Loans Outstanding as of September 30,		2015		2014
Total Principal Outstanding at Face Value	$	105,662,573	$	99,013,624
Total Principal Outstanding Guarantied by the SBA		88,337,969		83,505,973

SBA's guarantied loan servicing agent provides data to the SBA on the unpaid principal balance of guarantied loans within a precision of less than 1 percent due to timing.

D. Subsidy Cost Allowance Balances

(Dollars in Thousands)

For the Years Ended September 30,		2015		2014
Post-1991 Business Direct and Purchased Guarantied Loans				
Beginning Balance of Allowance Account	**$**	**6,174,526**	**$**	**6,662,139**
Current Year's Subsidy (see 6G for breakdown by component)		4,068		6,557
Loans Written Off		(2,110,027)		(1,446,655)
Subsidy Amortization		(2,207)		(2,343)
Allowance Related to Guarantied Loans Purchased This Year		404,131		820,625
Miscellaneous Recoveries and Costs		286,654		140,817
Balance of Subsidy Allowance Account before Reestimates		4,757,145		6,181,140
Technical Assumptions/Default Reestimates		(961)		(6,614)
Ending Balance of Allowance Account	**$**	**4,756,184**	**$**	**6,174,526**
Post-1991 Disaster Direct Loans				
Beginning Balance of Allowance Account	**$**	**1,230,152**	**$**	**1,345,560**
Current Year's Subsidy (see 6G for breakdown by component)		33,908		44,394
Loans Written Off		(118,547)		(208,657)
Subsidy Amortization		(6,621)		(12,096)
Miscellaneous Recoveries and Costs		66,110		54,388
Balance of Subsidy Allowance Account before Reestimates		1,205,002		1,223,589
Technical Assumptions/Default Reestimates		(117,764)		6,563
Ending Balance of Allowance Account	**$**	**1,087,238**	**$**	**1,230,152**

E. Liability for Loan Guaranties

(Dollars in Thousands)

For the Years Ended September 30,	2015	2014
Pre-1992 Business Loan Guaranties		
Beginning Balance of Liability for Loan Guaranties	**$ 70**	**$ 45**
Adjustment to Expected Losses, Guaranties Outstanding	(56)	25
Ending Balance of Liability for Loan Guaranties	**14**	**70**
Post-1991 Business Loan Guaranties		
Beginning Balance of Liability for Loan Guaranties	**2,044,439**	**2,987,218**
Current Year's Subsidy (see 6G for breakdown by component)	55,102	143,867
Fees	1,219,836	1,099,290
Interest Accumulation Factor	91,231	108,690
Claim Payments to Lenders	(1,126,127)	(1,470,965)
Adjustment Due to Reestimate & Guarantied Loan Purchases	721,995	650,340
Miscellaneous Recoveries and Costs	43,720	(11,765)
Balance of Liability for Loan Guaranties before Reestimates	3,050,196	3,506,675
Technical Assumptions/Default Reestimates	(1,388,694)	(1,462,236)
Ending Balance of Liability for Loan Guaranties	**1,661,502**	**2,044,439**
Total Ending Balance of Liability for Loan Guaranties	**$ 1,661,516**	**$ 2,044,509**

F. FY 2015 Subsidy Rates by Program and Component

LOAN PROGRAM	Total Subsidy	Financing	Default	Other	Fee
Guaranty					
7(a)	**0.00%**	0.00%	4.07%	0.00%	-4.07%
504 CDC	**0.60%**	0.00%	8.65%	0.78%	-8.83%
SBIC Debentures	**0.00%**	0.00%	7.19%	0.09%	-7.28%
Direct					
Disaster	**12.43%**	4.74%	13.12%	-5.43%	0.00%
Microloan	**10.12%**	7.85%	2.36%	-0.09%	0.00%

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

G. Subsidy Expense by Component

(Dollars in Thousands)

For the Years Ended September 30,	2015	2014
Business Loan Guaranties		
Interest	$ 2	$ 39
Defaults	509,812	971,685
Fees	(483,888)	(857,676)
Other	29,176	29,819
Subsidy Expense Before Reestimates and Loan Modifications	55,102	143,867
Reestimates	(1,388,694)	(1,462,236)
Total Guarantied Business Loan Subsidy Expense	**$ (1,333,592)**	**$ (1,318,369)**
Business Direct Loans		
Interest	$ 2,126	$ 3,227
Defaults	544	758
Other	1,398	2,572
Subsidy Expense Before Reestimates	4,068	6,557
Reestimates	(961)	(6,614)
Total Business Direct Loan Subsidy Expense	**$ 3,107**	**$ (57)**
Disaster Direct Loans		
Interest	$ 9,435	$ 4,964
Defaults	39,804	61,760
Other	(15,331)	(22,330)
Subsidy Expense Before Reestimates	33,908	44,394
Reestimates	(117,764)	6,563
Total Disaster Direct Loan Subsidy Expense	**$ (83,856)**	**$ 50,957**

H. Administrative Expense

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

(Dollars in Thousands)

For the Years Ended September 30,	2015	2014
Disaster Direct Loan Programs	$ 172,624	$ 177,469
Business Loan Programs	146,778	151,282
Total Administrative Expense	**$ 319,402**	**$ 328,751**

I. Credit Program Subsidy Reestimates

Reestimates are performed annually, on a cohort-by-cohort basis. The purpose of reestimates is to update original program cost estimates to reflect actual cash flow experience as well as changes in forecasts of future cash flows. Forecasts of future cash flows are updated based on additional information about historical program performance, revised expectations for future economic conditions, and enhancements to cash flow projection methods. Financial statement reestimates were performed using a full year of performance data for FY 2015 for SBA's large loan programs and with nine months of actual and three months of projected performance data for the Secondary Market Guaranty, Microloan, and the small loan programs.

BUSINESS GUARANTIED LOAN PROGRAMS

Net subsidy reestimates for the business guarantied loan programs follows:

(Dollars in Thousands)

For the Years Ended September 30,	2015	2014
7(a)	$ (268,899)	$ (327,206)
7(a) - Recovery Act	46,109	398
7(a) - Jobs Act	(8,605)	(54,904)
Dealer Floor Plan	(450)	(1,866)
504 CDC	(795,992)	(619,688)
504 CDC - Recovery Act	(105,987)	(120,036)
504 CDC - Jobs Act	(25,946)	(33,148)
504 CDC - Debt Refinancing	(72,831)	(87,334)
504 First Mortgage Loan Pooling - Recovery Act	(7,254)	1,726
SBIC Debentures	(154,625)	(53,499)
SBIC Participating Securities	(76,888)	(96,055)
Secondary Market Guaranty Program	84,477	(61,915)
ARC - Recovery Act	(8,877)	(15,131)
All Other Guaranty Loan Programs	7,074	6,422
Total Guarantied Loan Program Subsidy Reestimates	**$ (1,388,694)**	**$ (1,462,236)**

The 7(a) Loan Guaranty program, SBA's flagship and largest program had a net downward reestimate in FY 2015 of $268.9 million. The reestimate is primarily due to better than expected loan performance in cohorts 2011 through 2015, offsetting worse than expected loan performance in cohorts 2007 through 2010. Strong loan performance was driven by lower than projected purchases in cohorts 2011 through 2014. Of note, FY 2015 loan performance contributed to updated model assumptions, which resulted in decreased recovery projections.

The 7(a) Recovery Act program had a net upward reestimate in FY 2015 of $46.1 million. The reestimate is primarily due to higher than expected purchases in FY 2015. Additionally, FY 2015 loan performance contributed to updated model assumptions, which resulted in decreased recovery projections.

The 7(a) Jobs Act cohort had a net downward reestimate in FY 2015 of $8.6 million. The reestimate is primarily due to lower than projected purchases in FY 2015.

The Dealer Floor Plan program had a net downward reestimate of $0.5 million due to better than projected performance during FY 2015.

The 504 Certified Development Company program had a net downward reestimate of $796.0 million. The reestimate is primarily due to better than projected FY 2015 loan performance across all cohorts. Although some cohorts had higher than expected purchases, these higher than expected losses were offset by higher than expected recoveries. FY 2015 loan performance contributed to updated model assumptions which resulted in decreased purchase and increased recovery rate projections. The remainder of the reestimate was due to decreased loss projections for the 2015 cohort as compared to the original loss projections.

The 504 Recovery Act program had a net downward reestimate of $106.0 million. The reestimate is mostly due to better than projected FY 2015 loan performance. Actual purchases in the 504 Recovery Act program were less than a quarter of the purchases projected for FY 2015.

The 504 Jobs Act program had a net downward reestimate of $25.9 million. The reestimate is mostly due to better than projected FY 2015 loan performance. Actual purchases in the 504 Jobs Act program were less than a fifth of the purchases projected for FY 2015.

The 504 Debt Refinancing program had a net downward reestimate of $72.8 million. The reestimate is mostly due to better than projected FY 2015 loan performance. Actual purchases in the 504 Debt Refinancing program were less than a quarter of the purchases projected for FY 2015.

The Section 504 First Mortgage Loan Pooling program had a net downward reestimate of $7.3 million. Lower than projected purchases in the 2012 cohort offset higher than expected purchases in the 2010 and 2011 cohorts. Additionally, FY 2015 loan performance contributed to updated model assumptions, which resulted in decreased purchase projections.

The SBIC Debentures program had a net downward reestimate of $154.6 million. The primary driver of the reestimate was better than projected loan performance in FY 2015. Actual purchases were less than projected in FY 2015 for the 2004 through 2015 cohorts, while actual recoveries were greater than projected, specifically in the 2003 and 2008 cohorts. Additionally, updated performance expectation of the 2015 cohort contributed to the downward reestimate.

The SBIC Participating Securities program had a net downward reestimate of $76.9 million. The downward reestimate was due to better than expected loan performance in FY 2015, particularly for the 2002 and 2004 cohorts. The main driver of the downward reestimate was higher actual recoveries than projected in FY 2015. The better-than-projected recoveries were partially offset by higher than projected purchases and lower than projected reimbursements of prioritized payments in FY 2015.

The Secondary Market Guaranty program had a net upward reestimate of $84.5 million. This upward reestimate was driven mainly by actual loan terminations being lower than previously projected. Loan terminations accelerate pool payments to investors and reduce SBA's reliance on interest earnings to cover their guarantee of timely payment.

The America's Recovery Capital program had a net downward reestimate of $8.9 million. The majority of this reestimate is due to lower than projected purchases in FY 2015. The remainder of the reestimate is mostly due to lower purchase projections in future years as a result of recent actual loan performance.

BUSINESS DIRECT LOAN PROGRAMS

Net subsidy reestimates for business direct loan programs follows:

(Dollars in Thousands)

For the Years Ended September 30,	**2015**	**2014**
7(m) Microloan	$ (542)	$ (3,412)
7(m) Microloan - Recovery Act	1,491	(1,030)
Intermediary Lending Pilot Program	(1,885)	(73)
SBIC Preferred Stock	–	(2,095)
All Other Direct Loan Programs	(25)	(4)
Total Direct Loan Program Subsidy Reestimates	**$ (961)**	**$ (6,614)**

The 7(m) Direct Microloan program had a net downward reestimate of $0.5 million. The downward reestimate is due to better performance expectations for loans disbursed in FY 2015. These better performance expectations are partially offset by a decrease in expected recoveries for the 2006 through 2008 cohorts.

The 7(m) Direct Microloan Recovery Act program had a net upward reestimate of $1.5 million. The upward reestimate is primarily due to an increase in projected defaults and a decrease in projected recoveries in future years for both cohorts.

The Intermediary Lending Pilot program had a net downward reestimate of $1.9 million. The major driver of the downward reestimate is a decrease in SBA's cost of borrowing for the 2011 cohort from 4.11% to 2.51%.

DISASTER DIRECT LOAN PROGRAM

Net subsidy reestimates for the disaster direct loan programs follows:

(Dollars in Thousands)

For the Years Ended September 30,		2015		2014
Disaster	$	(117,764)	$	6,563
Total Disaster Direct Loan Program Subsidy Reestimates	**$**	**(117,764)**	**$**	**6,563**

The Disaster Assistance program had a net downward reestimate of $117.8 million. All Disaster cohorts (except for the 2014 and 2015 regular cohorts and the 2001 World Trade Center cohort) experienced downward reestimates as a result of better than expected performance in FY 2015 and revised performance assumptions. The 2014 cohort experienced an upward reestimate due to updated present value discount factors applied to projected cash flows. The 2015 cohort experienced an upward reestimate due to the actual average borrower's interest rate being lower than the original projected average borrower's interest rate.

NOTE 7 GENERAL PROPERTY AND EQUIPMENT, NET

The SBA capitalizes equipment with a cost of $50,000 or more per unit and a useful life of 2 years or more at full cost and depreciates using the straight-line method over the useful life. The SBA expenses equipment not meeting the capitalization criteria.

Leasehold improvements with modifications of $50,000 or more and a useful life of 2 years or more are capitalized and amortized using the straight-line method over the useful life of the improvement or the lease term, whichever is shorter. Leasehold improvements not meeting the capitalization criteria are expensed.

Software intended for internal use, whether internally developed, contractor developed or purchased, is capitalized at cost if the unit acquisition cost is $250,000 or more and service life is at least 2 years. Capitalized software costs include all direct and indirect costs incurred, including overhead to develop the software. Software for internal use is amortized using the straight-line method over its useful life, not to exceed 5 years. Amortization begins when the software is put into production. The costs of enhancements are capitalized when it is more likely than not that the enhancements will result in significant additional capabilities. Costs that do not meet the capitalization criteria are expensed when incurred.

Assets meeting the capitalization thresholds are detailed below.

(Dollars in Thousands)

As of September 30,	2015	2014
Equipment	$ 2,675	$ 2,675
Accumulated Depreciation	(2,663)	(2,491)
Net	**12**	**184**
Leasehold Improvements	1,811	1,811
Amortization of Leasehold Improvements	(1,004)	(853)
Net	**807**	**958**
Software in Use	35,863	35,926
Amortization of Software in Use	(34,120)	(32,339)
Net	**1,743**	**3,587**
Total General Property and Equipment, Net	**$ 2,562**	**$ 4,729**

NOTE 8 LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources include contingent liabilities and liabilities for which congressional action is required before budgetary resources can be provided. These unfunded liabilities consisted of:

(Dollars in Thousands)

As of September 30,	2015	2014
Intragovernmental Liabilities - Other		
Employment Taxes Payable	$ 320	$ 1,536
Federal Employees' Compensation Act Payable	6,403	6,026
Total Intragovernmental Liabilities - Other	**6,723**	**7,562**
Federal Employees' Compensation Act Actuarial Liability	**31,691**	**34,627**
Surety Bond Guarantee Program Future Claims	**43,679**	**35,799**
Other Liabilities		
Prior Liens on Real Estate Payable	59	59
Accrued Unfunded Annual Leave	24,976	26,361
Total Other Liabilities	**25,035**	**26,420**
Total Liabilities Not Covered by Budgetary Resources	**$ 107,128**	**$ 104,408**

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

NOTE 9 DEBT

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

All debt is intragovernmental and covered by budgetary resources. Debt transactions and resulting balances are:

INTRAGOVERNMENTAL DEBT

(Dollars in Thousands)

As of September 30,		2015		2014
Beginning Balance	**$**	**7,756,100**	**$**	**$8,088,099**
New Borrowing		564,871		852,468
Repayments		(1,145,627)		(1,184,467)
Ending Balance	**$**	**7,175,344**	**$**	**7,756,100**

NOTE 10 NET ASSETS OF LIQUIDATING FUNDS DUE TO TREASURY

Net Assets of Liquidating Funds Due to Treasury is the residual of the book value of assets less liabilities in the Liquidating Funds for loans made prior to FY 1992. The FY 2015 and FY 2014 balances include the transfer of the unobligated balance to Treasury at September 30.

(Dollars in Thousands)

As of September 30,		2015		2014
Disaster Loan Fund	$	2,497	$	3,297
Business Loan and Investment Fund		11,321		6,843
Total Due Treasury	**$**	**13,818**	**$**	**10,140**

NOTE 11 OTHER LIABILITIES

Other liabilities were:

(Dollars in Thousands)

As of September 30,	2015	2014
OTHER LIABILITIES - INTRAGOVERNMENTAL		
Entity		
Current		
Employment Taxes Payable	$ 2,486	$ 2,084
Advances from Other Agencies	932	332
Total Current	**3,418**	**2,416**
Non-current		
Employment Taxes Payable	320	1,536
Federal Employees' Compensation Act Payable	6,403	6,026
Total Non-current	**6,723**	**7,562**
Total Entity	**10,141**	**9,978**
Non-entity		
Current		
Payable to Treasury	6	6
Total Other Liabilities - Intragovernmental	**$ 10,147**	**$ 9,984**
OTHER LIABILITIES - PUBLIC		
Entity		
Current		
Accrued Funded Payroll and Benefits	$ 9,261	$ 13,778
Accrued Unfunded Annual Leave	24,976	26,361
Contingent Liability	–	464
Other Liabilities	955	
Suspense Accounts	578	1,128
Total Current	**35,770**	**41,731**
Non-current		
Prior Liens on Real Estate Payable	59	59
Total Non-current	**59**	**59**
Total Entity	35,829	41,790
Total Other Liabilities - Public	**$ 35,829**	**$ 41,790**

NOTE 12 LEASES

The SBA leases all of its facilities from the General Services Administration. The SBA enters into an Occupancy Agreement with GSA for each facility. GSA, in turn, leases commercial facilities or provides space in federal buildings. Agreements for space in federal buildings can be vacated with 120 to 180 days notice. However, the SBA anticipates continuing the same or similar facilities leases in the future. These leases with GSA are operating leases and are expensed in the Statement of Net Cost when incurred. FY 2015 and 2014 facilities lease costs were $44.9 million and $45.1 million. Future lease payments shown here assume a 3 percent inflation factor from the following years' projected totals as estimated by GSA, as well as continued costs during the next 5 years as leases expire and new leases are added. Payments after 5 years reflect only current leases that will still be in effect then, projected to the end of each lease term.

FUTURE FACILITIES OPERATING LEASE PAYMENTS

(Dollars in Thousands)

Fiscal Year		Lease Payments
2016	$	44,025
2017		45,345
2018		46,706
2019		48,107
2020		49,550
After 2020		35,435
Total	**$**	**269,168**

NOTE 13 NON-ENTITY REPORTING

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

For consolidated financial statement presentation, the SBA eliminates the payable to the non-entity fund and the non-entity Treasury general fund receivable from the financing funds, since both are included in SBA's reporting entity. The Downward Reestimate Payable to the Treasury in the non-entity Treasury general fund is not eliminated and is reflected on the Balance Sheet as a liability line item.

(Dollars in Thousands)

As of September 30,		2015		2014
Entity				
Financing Fund Payable	$	(1,600,653)	$	(1,637,283)
Non-entity				
Miscellaneous Receipts Fund Receivable		1,600,653		1,637,283
Downward Reestimate Payable to Treasury		(1,600,653)		(1,637,283)
Balance Sheet Reported Payable	**$**	**(1,600,653)**	**$**	**(1,637,283)**

NOTE 14 CONSOLIDATED STATEMENT OF NET COST

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

Operating Cost

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

Earned Revenue

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

Reporting by Strategic Goal

The SBA reports net costs consistent with its three strategic goals on a full cost allocation basis. Strategic Goal 1 (Growing Businesses and Creating Jobs) includes SBA's loan, disaster and other assistance programs, and STEP grants. Strategic Goal 2 (Serving as the Voice for Small Business) includes small business advocacy and programs to promote entrepreneurship in economic sectors and communities where market gaps remain. Strategic Goal 3 (Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses) contains lender oversight costs. Agency administrative overhead costs are fully allocated to the programs in Strategic Goals 1, 2, and 3. The Management's Discussion and Analysis section of SBA's annual Agency Financial Report includes additional detail on SBA's strategic goals. Costs Not Assigned to Strategic Goals include the Office of the Inspector General and grants made under congressionally mandated programs. The Office of the Inspector General's mission and funding is a separate, independent part of the SBA and is therefore excluded. Congressional mandated grants do not necessarily involve small business and are also excluded.

Intragovernmental Gross Cost is incurred by the SBA in exchange transactions with other federal agencies, and Gross Cost with the Public is incurred in exchange transactions with the Public. Intragovernmental Earned Revenue is earned by the SBA in exchange transactions with other federal agencies, and Earned Revenue from the Public is earned in exchange transactions with the Public. The General Services Administration and the Treasury Department are SBA's primary Intragovernmental trading partners.

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

SBA's Gross Cost with the Public in Strategic Goal 1 is largely determined by estimates and reestimates of its credit program costs (See Note 6I). Downward reestimates of these costs caused the credit to Gross Cost with the Public in FY 2015 and FY 2014.

INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

(Dollars in Thousands)

For the Years Ended September 30,		2015		2014
STRATEGIC GOAL 1: Growing Businesses and Creating Jobs				
Intragovernmental Gross Cost	$	461,443	$	506,417
Gross Cost with the Public		(827,119)		(613,675)
Total Strategic Goal 1 Gross Cost		**(365,676)**		**(107,258)**
Intragovernmental Earned Revenue		109,099		138,871
Earned Revenue from the Public		354,725		372,857
Total Strategic Goal 1 Earned Revenue		**463,824**		**511,728**
STRATEGIC GOAL 2: Serving as the Voice for Small Business				
Intragovernmental Gross Cost	$	27,432	$	26,178
Gross Cost with the Public		82,206		83,310
Total Strategic Goal 2 Gross Cost		**109,638**		**109,488**
STRATEGIC GOAL 3: Building an SBA that Meets the Needs of Today's and Tomorrow's Small Businesses				
Intragovernmental Gross Cost	$	10,115	$	6,176
Gross Cost with the Public		30,312		19,654
Total Strategic Goal 3 Gross Cost		**40,427**		**25,830**
COST NOT ASSIGNED TO STRATEGIC GOALS				
Intragovernmental Gross Cost	$	8,718	$	4,130
Gross Cost with the Public		26,127		13,144
Total Gross Cost Not Assigned to Strategic Goals		**34,845**		**17,274**
Net Cost of Operations	**$**	**(644,590)**	**$**	**(466,394)**

NOTE 15 STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources presents information about total budgetary resources available to the SBA and the status of those resources as of September 30, 2015 and 2014. SBA's total budgetary resources were $2.8 billion and $3.0 billion for the years ended September 30, 2015 and 2014. Additionally, $7.5 billion and $7.8 billion of nonbudgetary resources including borrowing authority and collections of loan principal, interest and fees in financing funds were reported for the years ended September 30, 2015 and 2014.

Permanent Indefinite Appropriations

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

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

Borrowing Authority and Terms of Borrowing

The SBA is authorized to borrow from the Treasury's Bureau of the Fiscal Service when funds needed to disburse direct loans and purchase guarantied loans exceed subsidy costs and collections in the nonbudgetary loan financing funds. In FY 2015 and FY 2014, the SBA received $0.6 billion and $0.8 billion of borrowing authority from the OMB. At the end of FY 2015, the SBA had $0.2 billion in borrowing authority carried over to fund direct loans and default claims to be disbursed in the future. At the end of FY 2014, the SBA had $0.2 billion in available borrowing authority. The SBA pays interest to the Treasury based on Treasury's cost of funds. The rate at which interest is paid to the Treasury on the amounts borrowed (or received from the Treasury on uninvested cash balances) in a loan financing fund for a particular cohort is a disbursement-weighted average discount rate for cohorts prior to FY 2001 and a single effective rate for cohorts beginning with FY 2001. The SBA calculates and repays borrowings not needed for working capital at midyear and at year-end for prior year cohorts. The SBA uses the loan principal, interest, and fees collected from the borrowers in its loan financing funds to repay its Treasury borrowings. The repayment maturity dates for the borrowing from the Treasury are based on the loan maturities used in the subsidy calculation. The maturities range from 16 years for Direct Business loans, 25 years for Guarantied Business loans and 30 years for Disaster loans.

Apportionment Categories of Obligations Incurred

During FY 2015 and FY 2014, the SBA incurred $5.318 billion and $5.114 billion of direct and reimbursable obligations of which $0.020 billion and $0.035 billion were apportioned in category A; $5.298 billion and $5.079 billion were apportioned in category B. Category A apportionments are restricted by quarter and program, category B apportionments are restricted by purpose and program.

Unobligated Balances

Unobligated balances at September 30, 2015 and 2014 are $5.0 billion and $5.7 billion which include $3.5 billion and $3.7 billion of unavailable unobligated balances. These balances are unavailable primarily because they are unapportioned by the OMB. The SBA accumulates the majority of these unobligated balances in its nonbudgetary financing accounts during the fiscal year ($3.7 billion in FY 2015 and $4.3 billion in FY 2014) from reestimates that are used primarily to pay default claims in the following fiscal year. In addition, unobligated balances are accumulated in budgetary accounts from appropriations ($1.3 billion in FY 2015 and $1.4 billion in FY 2014) that are used to finance SBA's ongoing program operations. The SBA requests OMB apportionments as needed, and after OMB approval, apportioned amounts are available for obligation.

Undelivered Orders

Undelivered orders are obligations that have not yet been disbursed by the SBA. Undelivered orders for the periods ended September 30, 2015 and 2014 were $0.5 billion and $0.6 billion.

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

There was no material difference between the FY 2014 Statement of Budgetary Resources and the President's FY 2016 budget submission. The President's FY 2017 Budget with actual numbers for FY 2015 has not yet been published. The SBA expects no material differences between the President's Budget "actual" column and the FY 2015 reported results when the budget becomes available in February 2016.

NOTE 16 RECONCILIATION OF BUDGETARY OBLIGATIONS INCURRED TO NET COST OF OPERATIONS

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

The Federal Financial Accounting Standard No. 7 requires "a reconciliation of proprietary and budgetary information in a way that helps users relate the two." The focus of this presentation is to reconcile budgetary net obligations to the net cost of operations. The objective of this information is to categorize the differences between budgetary and financial (proprietary) accounting.

CONSOLIDATED RECONCILIATION OF BUDGETARY OBLIGATIONS TO NET COST

(Dollars in Thousands)

For the Years Ended September 30,	2015	2014
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	$ 5,318,123	$ 5,114,412
Less: Spending Authority from Offsetting Collections and Recoveries	4,157,947	4,584,340
Obligations Net of Offsetting Collections and Recoveries	1,160,176	530,072
Less: Offsetting Receipts	1,871,715	1,123,155
Net Obligations	**(711,539)**	**(593,083)**
Other Resources		
Imputed Financing	16,050	21,893
Other Financing Sources	(1,841,457)	(1,648,365)
Net Other Resources Used to Finance Activities	**(1,825,407)**	**(1,626,472)**
Total Resources Used to Finance Activities	**(2,536,946)**	**(2,219,555)**
RESOURCES THAT DO NOT FINANCE NET COST OF OPERATIONS		
(Increase) Decrease in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered But Not Yet Provided	(6,803)	450,569
Resources that Fund Expenses Recognized in Prior Periods	(201,087)	(362,689)
Budgetary Offsetting Collections and Receipts that Do Not Affect Net Cost of Operations		
Credit Program Collections	3,725,160	3,923,558
Offsetting Receipts	1,871,715	1,123,155
Resources that Finance the Acquisition of Assets or Liquidation of Liabilities	(3,771,717)	(3,591,420)
Other - Current Year Liquidating Equity Activity	12,736	3,218
Other Resources that Do Not Affect Net Cost of Operations	72	38
Total Resources that Do Not Finance Net Cost of Operations	**1,630,076**	**1,546,429**
Total Resources Used to Finance the Net Cost of Operations	**(906,870)**	**(673,126)**
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Change in Annual Leave Liability	(1,385)	(510)
Change in Contingent Liability	(464)	464
Upward Reestimates of Credit Subsidy Expense	263,633	200,923
Change in Revenue Receivable from Public	(5,627)	(65)
Provision for Losses on Estimated Guaranties	7,880	4,795
Change in Unfunded Employee Benefits	(3,775)	1,136
Total Components Requiring or Generating Resources in Future Periods	**260,262**	**206,743**
Components Not Requiring or Generating Resources		
Depreciation or Amortization	2,104	2,252
Change in Bad Debt Expense - Pre-1992 Loans	24	(2,057)
Other (Income) Expenses Not Requiring Budgetary Resources	(110)	(206)
Total Components Not Requiring or Generating Resources	**2,018**	**(11)**
Total Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	**262,280**	**206,732**
Net Cost of Operations	**$ (644,590)**	**$ (466,394)**

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

The following table details these differences:

(Dollars in Thousands)

As of September 30,	**2015**	**2014**
Current Year Liabilities Not Covered By Budgetary Resources	$ 107,128	$ 104,408
Less: Prior Year	104,408	99,012
Change in Liabilities Not Covered By Budgetary Resources	2,720	5,396
Upward Reestimates of Credit Subsidy Expense	263,633	200,923
Change in Revenue Receivable from Public	(5,627)	(65)
All Other	(464)	489
Components (of Net Cost) Generating Resources in Future Periods (Per Reconciliation Above)	**$ 260,262**	**$ 206,743**

REQUIRED SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF BUDGETARY RESOURCES

For the Year Ended September 30, 2015

(Dollars in Thousands)	BLIF		DLF		SBGRF	PCECGF
	Budgetary	Nonbudgetary Financing	Budgetary	Nonbudgetary Financing	Budgetary	Budgetary
BUDGETARY RESOURCES						
Unobligated Balance Brought Forward, October 1	$ 240,087	$ 3,865,480	$ 738,382	$ 483,716	$ 80,750	$ –
Recoveries of Prior Year Obligations	16,850	4,759	3,594	38,494	–	–
Other Changes in Unobligated Balance	(100,321)	(750)	–	–	–	–
Unobligated Balance from Prior Year Budget Authority, net	156,616	3,869,489	741,976	522,210	80,750	–
Appropriations (discretionary and mandatory)	419,630	–	222,132	–	–	–
Borrowing Authority (discretionary and mandatory)	–	244,331	–	306,617	–	–
Spending Authority from Offsetting Collections	1,083	2,511,161	–	21,286	18,303	–
Total Budgetary Resources	**$ 577,329**	**$ 6,624,981**	**$ 964,108**	**$ 850,113**	**$ 99,053**	**$ –**
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred	$ 401,582	$ 3,203,697	$ 258,551	$ 579,191	$ 13,800	$ –
Unobligated Balance, end of year:						
Apportioned	19,364	1,013,190	100,663	68,534	4,494	–
Unapportioned	156,383	2,408,094	604,894	202,388	80,759	–
Total Unobligated Balance, end of year	175,747	3,421,284	705,557	270,922	85,253	–
Total Status of Budgetary Resources	**$ 577,329**	**$ 6,624,981**	**$ 964,108**	**$ 850,113**	**$ 99,053**	**$ –**
CHANGE IN OBLIGATED BALANCES						
Unpaid Obligations:						
Unpaid Obligations, Brought Forward, October 1	$ 128,778	$ 87,589	$ 15,048	$ 157,972	$ 29	$ –
Obligations Incurred	401,582	3,203,697	258,551	579,191	13,800	–
Gross Outlays	(431,591)	(3,203,774)	(256,129)	(580,441)	(13,825)	–
Recoveries of Prior Year Unpaid Obligations	(16,850)	(4,759)	(3,594)	(38,494)	–	–
Unpaid Obligations, end of year	81,919	82,753	13,876	118,228	4	–
Uncollected Payments:						
Uncollected Payments, Federal sources brought forward, October 1	–	(127,881)	–	(15,128)	–	–
Change in Uncollected Payments, Federal Sources	–	46,752	–	1,082	–	–
Uncollected Payments, Federal Sources, end of year	–	(81,129)	–	(14,046)	–	–
Memorandum (non-add) entries:						
Obligated Balance, start of year	**$ 128,778**	**$ (40,292)**	**$ 15,048**	**$ 142,844**	**$ 29**	**$ –**
Obligated Balance, end of year	**$ 81,919**	**$ 1,624**	**$ 13,876**	**$ 104,182**	**$ 4**	**$ –**
BUDGET AUTHORITY AND OUTLAYS, NET						
Budget Authority, gross (discretionary and mandatory)	$ 420,713	$ 2,755,492	$ 222,132	$ 327,903	$ 18,303	$ –
Actual Offsetting Collections (discretionary and mandatory)	(9,380)	(2,719,444)	(1,182)	(1,005,716)	(18,302)	(36)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	–	46,752	–	1,082	–	–
Budget Authority, net (discretionary and mandatory)	**$ 411,333**	**$ 82,800**	**$ 220,950**	**$ (676,731)**	**$ 1**	**$ (36)**
Gross Outlays (discretionary and mandatory)	$ 431,591	$ 3,203,774	$ 256,129	$ 580,441	$ 13,825	$ –
Actual Offsetting Collections (discretionary and mandatory)	(9,380)	(2,719,444)	(1,182)	(1,005,716)	(18,302)	(36)
Net Outlays (discretionary and mandatory)	422,211	484,330	254,947	(425,275)	(4,477)	(36)
Distributed Offsetting Receipts	–	(1,832,733)	–	(32,618)	–	–
Agency Outlays, net (discretionary and mandatory)	**$ 422,211**	**$ (1,348,403)**	**$ 254,947**	**$ (457,893)**	**$ (4,477)**	**$ (36)**

REQUIRED SUPPLEMENTARY INFORMATION *(continued)*

COMBINING STATEMENT OF BUDGETARY RESOURCES

For the Year Ended September 30, 2015

(Dollars in Thousands)	SE	OIG	ADVOCACY	EDP	BATF	TOTAL	TOTAL	
	Budgetary	**Budgetary**	**Budgetary**	**Budgetary**	**Budgetary**	**Budgetary**	**Nonbudgetary Financing**	**Total**
BUDGETARY RESOURCES								
Unobligated Balance Brought Forward, October 1	$ 287,233	$ 11,232	$ 817	$ 4,391	$ 159	$ 1,363,051	$ 4,349,196	$ 5,712,247
Recoveries of Prior Year Obligations	25,062	62	15	3,445	–	49,028	43,253	92,281
Other Changes in Unobligated Balance	(16,055)	(116)	–	–	–	(116,492)	(750)	(117,242)
Unobligated Balance from Prior Year Budget Authority, net	296,240	11,178	832	7,836	159	1,295,587	4,391,699	5,687,286
Appropriations (discretionary and mandatory)	256,310	19,400	9,120	220,690	–	1,147,282	–	1,147,282
Borrowing Authority (discretionary and mandatory)	–	–	–	–	–	–	550,948	550,948
Spending Authority from Offsetting Collections	358,354	1,014	2	4	65	378,825	2,532,447	2,911,272
Total Budgetary Resources	**$ 910,904**	**$ 31,592**	**$ 9,954**	**$ 228,530**	**$ 224**	**$ 2,821,694**	**$ 7,475,094**	**$ 10,296,788**
STATUS OF BUDGETARY RESOURCES								
Obligations Incurred	$ 614,785	$ 19,977	$ 9,264	$ 217,257	$ 19	$ 1,535,235	$ 3,782,888	$ 5,318,123
Unobligated Balance, end of year:								
Apportioned	248,431	7,114	690	9,684	140	390,580	1,081,724	1,472,304
Unapportioned	47,688	4,501	–	1,589	65	895,879	2,610,482	3,506,361
Total Unobligated Balance, end of year	296,119	11,615	690	11,273	205	1,286,459	3,692,206	4,978,665
Total Status of Budgetary Resources	**$ 910,904**	**$ 31,592**	**$ 9,954**	**$ 228,530**	**$ 224**	**$ 2,821,694**	**$ 7,475,094**	**$ 10,296,788**
CHANGE IN OBLIGATED BALANCES								
Unpaid Obligations:								
Unpaid Obligations, Brought Forward, October 1	$ 201,533	$ 1,949	$ 906	$ 136,951	$ 4	$ 485,198	$ 245,561	$ 730,759
Obligations Incurred	614,785	19,977	9,264	217,257	19	1,535,235	3,782,888	5,318,123
Gross Outlays	(617,216)	(19,297)	(8,493)	(167,375)	(19)	(1,513,945)	(3,784,215)	(5,298,160)
Recoveries of Prior Year Unpaid Obligations	(25,062)	(62)	(15)	(3,445)	–	(49,028)	(43,253)	(92,281)
Unpaid Obligations, end of year	174,040	2,567	1,662	183,388	4	457,460	200,981	658,441
Uncollected Payments:								
Uncollected Payments, Federal sources brought forward, October 1	–	–	–	–	–	–	(143,009)	(143,009)
Change in Uncollected Payments, Federal Sources	–	–	–	–	–	–	47,834	47,834
Uncollected Payments, Federal Sources, end of year	–	–	–	–	–	–	(95,175)	(95,175)
Memorandum (non-add) entries:								
Obligated Balance, start of year	**$ 201,533**	**$ 1,949**	**$ 906**	**$ 136,951**	**$ 4**	**$ 485,198**	**$ 102,552**	**$ 587,750**
Obligated Balance, end of year	**$ 174,040**	**$ 2,567**	**$ 1,662**	**$ 183,388**	**$ 4**	**$ 457,460**	**$ 105,806**	**$ 563,266**
BUDGET AUTHORITY AND OUTLAYS, NET								
Budget Authority, gross (discretionary and mandatory)	$ 614,664	$ 20,414	$ 9,122	$ 220,694	$ 65	$ 1,526,107	$ 3,083,395	$ 4,609,502
Actual Offsetting Collections (discretionary and mandatory)	(358,353)	(1,015)	(1)	(5)	(66)	(388,340)	(3,725,160)	(4,113,500)
Change in Uncollected Customer Payments from Federal Sources (discretionary and mandatory)	–	–	–	–	–	–	47,834	47,834
Budget Authority, net (discretionary and mandatory)	**$ 256,311**	**$ 19,399**	**$ 9,121**	**$ 220,689**	**$ (1)**	**$ 1,137,767**	**$ (593,931)**	**$ 543,836**
Gross Outlays (discretionary and mandatory)	$ 617,216	$ 19,297	$ 8,493	$ 167,375	$ 19	$ 1,513,945	$ 3,784,215	$ 5,298,160
Actual Offsetting Collections (discretionary and mandatory)	(358,353)	(1,015)	(1)	(5)	(66)	(388,340)	(3,725,160)	(4,113,500)
Net Outlays (discretionary and mandatory)	258,863	18,282	8,492	167,370	(47)	1,125,605	59,055	1,184,660
Distributed Offsetting Receipts	(6,364)	–	–	–	–	(6,364)	(1,865,351)	(1,871,715)
Agency Outlays, net (discretionary and mandatory)	**$ 252,499**	**$ 18,282**	**$ 8,492**	**$ 167,370**	**$ (47)**	**$ 1,119,241**	**$ (1,806,296)**	**$ (687,055)**

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION STEWARDSHIP INVESTMENTS IN HUMAN CAPITAL

(Unaudited)

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

Small Business Development Centers provide advising and training services to small businesses and prospective business owners using an extensive network of lead centers and outreach locations. SBDCs deliver professional business advising in key management areas to small business clients throughout the U.S. that generates business revenue, creates and retains jobs, and enhances local and regional economies.

SCORE is a nonprofit association comprised of over 11,000 volunteer business mentors that serve entrepreneurs with in-person mentoring, local training workshops, and online resources. SCORE adapts its structure and services to meet the needs of specific small businesses.

Women's Business Centers provide advising and training primarily to women entrepreneurs through over 100 non-profit educational centers across the nation. Many of the training courses focus on business and financial planning that help women entrepreneurs gain financial literacy. They also provide direct advising to clients and help them access loans, federal contracts, and exporting opportunities.

Microloan Program helps the smallest of small businesses become established and achieve success. Community-based intermediary lenders provide business-based training and technical assistance to microbusinesses. The program is an important source of training assistance for low income, women, veteran, and minority entrepreneurs.

SBA's Consulting and Training Programs include SBA's work to develop or expand consulting and training programs focused on key areas, including underserved markets, procurement, exports, and emerging and expanding technological sectors. These small business advising and training programs are provided by or facilitated through an SBA district office for the delivery of a structured program providing knowledge, information, or experience on a business-related subject. Training is available on a number of subjects of interest to a small business person and may be delivered to an individual, a class, or online.

Veterans Outreach includes comprehensive outreach through veterans business outreach centers and technical assistance and training to transitioning veterans that are interested in starting a new or growing an existing business through programs such as Boots-to-Business, Veteran Women Igniting the Spirit of Entrepreneurship, and Entrepreneurship Boot Camp for Veterans with Disabilities. Consistent with the new strategic plan, this item was broken out in FY 2014 (previously it was included in All Other Training and Assistance Programs).

All Other Assistance Programs not separately detailed include PRIME Technical Assistance, Native American Outreach and the 7(j) program.

Performance results are provided in the Management's Discussion and Analysis section of SBA's annual Agency Financial Report in "SBA by the Numbers" and "Primer of SBA's Principal Programs."

Significant Human Capital investments occur within the following programs:

(Dollars in Thousands)

For the Five Years Ended September 30,	2015	2014	2013	2012	2011
Small Business Development Centers	$ 89,225	$ 154,400	$ 93,427	$ 152,835	$ 123,097
SCORE	19,615	5,758	10,894	9,331	14,094
Women's Business Centers	18,658	24,842	21,049	25,006	13,080
Microloan Technical Assistance	19,216	21,552	16,525	22,487	30,485
SBA's Consulting and Training Programs	51,510	54,620	44,313	28,365	28,006
Veterans Outreach	27,031	13,244	–	–	–
All Other Training and Assistance Programs	9,010	12,832	6,924	12,689	8,603
Total	**$ 234,265**	**$ 287,248**	**$ 193,132**	**$ 250,713**	**$ 217,365**