

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

GENERAL FUND



FINANCIAL STATEMENTS

As of And For The Years Ended September 30, 2018 and 2017

Independent Auditor's Report

To: Chairman and Executive Director
Administrative Conference of the United States
Washington, DC

In our audits of the fiscal years 2018 and 2017 financial statements of Administrative Conference of the United States (the Conference), we found:

- a) The Conference's financial statements as of and for the fiscal years ended September 30, 2018, and 2017, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.
- b) no material weaknesses in internal control over financial reporting based on the limited procedures we performed. However, we did identify a significant deficiency in internal control over financial reporting.
- c) an instance of non-compliance with the Prompt Payment Act was identified and is detailed in the Compliance with Applicable Laws and Regulations section of this report.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI), such as "Management's Discussion and Analysis"; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

In accordance with Generally Accepted Government Auditing Standards (GAGAS) and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, we have audited the Conference's financial statements. The Conference's financial statements comprise the balance sheets as of September 30, 2018, and 2017; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

The Conference's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the 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 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, the Conference's financial statements present fairly, in all material respects, the Conference's financial position as of September 30, 2018 and 2017, and its net costs of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's

inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The Conference's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the Conference's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the Conference's financial statements, we considered the Conference's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Conference's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility for Internal Controls

The Conference's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of the Conference's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the Conference's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the Conference's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the Conference's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. During our audit we did identify one significant deficiency in internal control related to financial reporting as detailed below.

Financial Reporting: A prior period adjustment was made to the Conference's fiscal year 2017 financial statements due to errors in accounting for interagency transactions. The total amount of the prior period adjustment was \$60,000. Due to limited size and resources, the Conference engages the U.S. Department of Agriculture (USDA) through an interagency agreement to provide financial management reporting, accounting and budget support that includes fiscal year-end financial statement preparation. The accounting error was identified by the Conference's management working with USDA during fiscal year 2018. However, the error was not appropriately identified by the time the fiscal year 2017 financial statements were issued.

Further details and management's response is presented in exhibit B.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Conference's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Conference's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Conference's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility for Compliance with Laws, Regulations, Contracts and Grant Agreements

The Conference's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Conference.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the Conference that have a direct effect on the determination of material amounts and disclosures in the Conference's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Conference.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements was to determine if there were instances of non-compliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. The details of the instance of non-compliance is presented in Appendix A.

The objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Conference. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.



*Gaithersburg, Maryland
November 14, 2018*

Independent Auditors' Report

Exhibit A – Instance of Non-Compliance

A-1 Non-Compliance with the Prompt Payment Act

Conditions: The Conference had one payment to a vendor that did not comply with the Prompt Payment Act. Specifically, one vendor was paid 55 days late.

Criteria: Section 1315.4(g) of the Prompt Payment Act states that payment is due on either: (1) the date specified in the contract, (2) in accordance with discount terms when discounts are offered and taken, (3) in accordance with Accelerated Payment Methods, or (4) 30-days after the start of a payment period, when a proper invoice is received. In addition, FAR Part 32.904(c)(i), Determining Payment Due Date, states that the due date for making an invoice payment is the later of (1) 30th day after the designated billing office receives a proper invoice from the contractor, or the 30th day after government acceptance of supplies delivered or services performed.

Cause/Effect: Communication between financial managers and third party administrators responsible for processing payments was not sufficient to ensure compliance. Failure to pay vendors in accordance with the Prompt Payment Act may result in late payment interest penalties.

Recommendations: We recommend that the Conference continue to work with the third party provider to ensure invoices are remitted in sufficient time to allow the third party service provider to process vendor payments to ensure compliance. In addition, we recommend the Conference establish internal control procedures to monitor the third party payment for timeliness

Management's Response: The U.S. Department of Agriculture (USDA), the Conference's service provider for processing and paying invoices, instituted a blackout period from March 28, 2018 to April 10, 2018 during which USDA stopped processing all invoices while migrating to a new information technology (IT) system. The single Prompt Payment violation was a result of this blackout period. All USDA customers were impacted, not only the Conference.

Independent Auditors' Report

Exhibit B – Significant Deficiency in Internal Controls

B-1 Financial Reporting Controls

Conditions: The Conference made adjustments to beginning balances due to a \$60,000 correction of an error in previously issued financial statements.

Criteria: The Government Accountability Office Standards for Internal Control in the Federal Government.

Cause/Effect: The internal controls related to financial reporting did not operate as designed which resulted in prior period financial statements being misstated.

Recommendations: The Conference should actively work with their shared service provider (USDA) to ensure a complete understanding of financial statement account balances is obtained, and verify that all items on the financial statement have been properly accounted for.

Management's Response: Upon conducting additional research, ACUS management confirmed with the accounting service provider, USDA, that this transaction was booked incorrectly because USDA failed to realize that the trading partner pulled the funds back via an IPAC chargeback. An IPAC chargeback is processed with a different document type than would have been used had USDA pushed the funds back. This caused the posting to the incorrect U.S. Standard General Ledger's account number in this case. We will explore creating a new Document Type/Transaction Type combination and/or additional postings to prevent this from happening in the future

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
BALANCE SHEET

As Of September 30, 2018 and 2017

	2018	2017
Assets:		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 691,822.56	\$ 697,427.27
Total Intragovernmental	691,822.56	697,427.27
Accounts Receivable, net (Note 3)	25,846.55	82,483.78
General Property, Plant and Equipment (Note 4)	46,558.36	56,949.29
Total Assets	\$ 764,227.47	\$ 836,860.34
Liabilities:		
Intragovernmental:		
Other: (Note 5)		
Employer Contributions and Payroll Taxes Payable (Note 6)	\$ 12,881.93	\$ 13,643.71
Liability for Advances and Prepayments		63,500.00
Total Intragovernmental	12,881.93	77,143.71
Accounts Payable	19,841.46	120,726.17
Other: (Note 6)		
Accrued Funded Payroll and Leave	54,555.76	51,771.20
Employer Contributions and Payroll Taxes Payable	2,508.88	2,536.96
Unfunded Leave	141,783.02	133,558.85
Total Liabilities	\$ 231,571.05	\$ 385,736.89
Net Position:		
Unexpended Appropriations - All Other Funds (Consolidated Totals)	590,634.53	433,849.23
Cumulative Results of Operations - All Other Funds (Consolidated Totals)	(57,978.11)	17,274.22
Total Net Position - All Other Funds (Consolidated Totals)	532,656.42	451,123.45
Total Net Position	532,656.42	451,123.45
Total Liabilities and Net Position	\$ 764,227.47	\$ 836,860.34

The accompanying notes are an integral part of these statement

**ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
STATEMENT OF NET COST**

For The Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Program Costs:		
Gross Costs	\$ 3,235,094.89	\$ 3,193,872.65
Less: Earned Revenue	138,500.00	189,483.78
Net Program Costs	<u>3,096,594.89</u>	<u>3,004,388.87</u>
Net Cost of Operations	<u>\$ 3,096,594.89</u>	<u>\$ 3,004,388.87</u>

The accompanying notes are an integral part of these statements.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2018 and 2017

FY 2018 (CY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance		433,849.23		433,849.23
Beginning Balance, as adjusted		433,849.23		433,849.23
Budgetary Financing Sources:				
Appropriations received		3,100,000.00		3,100,000.00
Other adjustments		(5,100.13)		(5,100.13)
Appropriations used		(2,938,114.57)		(2,938,114.57)
Total Budgetary Financing Sources		225,787.77		225,787.77
Total Unexpended Appropriations		590,634.53		590,634.53
Cumulative Results from Operations:				
Beginning Balances		\$ 17,274.22		\$ 17,274.22
Beginning balance, as adjusted		17,274.22		17,274.22
Budgetary Financing Sources:				
Appropriations used		2,938,114.57		2,938,114.57
Other Financing Sources (Non-Exchange):				
Imputed financing		83,227.99		83,227.99
Total Financing Sources		3,021,342.56		3,021,342.56
Net Cost of Operations		3,096,594.89		3,096,594.89
Net Change		(75,252.33)		(75,252.33)
Cumulative Results of Operations		(57,978.11)		(57,978.11)
Net Position		\$ 532,656.42		\$ 532,656.42

The accompanying notes are an integral part of these statements.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
STATEMENT OF CHANGES IN NET POSITION
For The Years Ended September 30, 2018 and 2017

FY 2017 (PY)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance		470,210.05		470,210.05
Beginning Balance, as adjusted		470,210.05		470,210.05
Budgetary Financing Sources:				
Appropriations received		3,100,000.00		3,100,000.00
Other adjustments		(64,109.73)		(64,109.73)
Appropriations used		(3,072,251.09)		(3,072,251.09)
Total Budgetary Financing Sources		(36,360.82)		(36,360.82)
Total Unexpended Appropriations		433,849.23		433,849.23
Cumulative Results from Operations:				
Beginning Balances		\$ (114,846.81)		\$ (114,846.81)
Beginning balance, as adjusted		(114,846.81)		(114,846.81)
Budgetary Financing Sources:				
Appropriations used		3,072,251.09		3,072,251.09
Other Financing Sources (Non-Exchange):				
Imputed financing		64,258.81		64,258.81
Total Financing Sources		3,136,509.90		3,136,509.90
Net Cost of Operations		3,004,388.87		3,004,388.87
Net Change		132,121.03		132,121.03
Cumulative Results of Operations		17,274.22		17,274.22
Net Position		\$ 451,123.45		\$ 451,123.45

The accompanying notes are an integral part of these statements.

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES
STATEMENT OF BUDGETARY RESOURCES

For The Years Ended September 30, 2018 and 2017

	2018 Budgetary	2017 Budgetary
BUDGETARY RESOURCES		
Unobliged balance from prior year budget authority, net	306,498.37	764,148.12
Appropriations (discretionary and mandatory)	3,100,000.00	3,100,000.00
Spending authority from offsetting collections (discretionary and mandatory)		(22,000.00)
Total budgetary resources	\$ 3,406,498.37	\$ 3,842,148.12
Memorandum (non-add) entries		
Net adjustments to unobligated balance brought forward, Oct 1	(Note 8) \$ (60,000.00)	
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	(Note 9) \$ 3,134,685.71	\$ 3,498,033.40
Unobligated balance, end of year		
Apportioned, unexpired account	216,340.85	179,846.54
Unapportioned, unexpired account		131,383.78
Unexpired unobligated balance, end of year	216,340.85	311,230.32
Expired unobligated balance, end of year	55,471.81	32,884.40
Unobligated balance, end of year (total)	271,812.66	344,114.72
Total budgetary resources	\$ 3,406,498.37	\$ 3,842,148.12
OUTLAYS, NET		
Outlays, net (total) (discretionary and mandatory)	\$ 3,100,504.58	\$ 3,227,846.95
Agency outlays, net (discretionary and mandatory)	(Note 11) \$ 3,100,504.58	\$ 3,227,846.95

The accompanying notes are an integral part of these statements.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Administrative Conference of the United States (Conference) is an independent agency of the Executive Branch of the United States Government. The Conference has been re-established after an absence of over 14 years. ACUS was created in 1968 as an independent agency of the federal government, for the purpose of developing recommendations to improve the fairness and effectiveness of the rulemaking, adjudication, licensing, and investigative functions of federal agency programs.

The Conference ceased operations on October 31, 1995, due to termination of funding by Congress, but the statutory provisions that established the Conference were not repealed. Subsequently, Congress reauthorized the Conference in 2004 and again in 2008. The 2004 legislation expanded the responsibilities of the Conference to include specific attention to achieving more effective public participation and efficiency, reducing unnecessary litigation, and improving the use of science in the rulemaking process. Funding was approved in 2009, and the Conference was officially re-established in April 2010, when the Senate confirmed President Obama's nominee, Paul Verkuil as Chairman.

(b) Basis of Presentation

These financial statements have been prepared from the accounting records of the Conference in accordance with Generally Accepted Accounting Principles (GAAP), as promulgated by the Federal Accounting Standards Advisory Board (FASAB); and the form and content for entity financial statements specified in Office of Management and Budget's (OMB) Circular A-136, "*Financial Reporting Requirements*." GAAP for Federal entities is the hierarchy of accounting principles prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 34, "*The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards issued by the Financial Accounting Standards Board*."

OMB Circular A-136, requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Balance Sheet presents, as of September 30, 2018 and 2017, amounts of future economic benefits owned or managed by the Conference (assets); amounts owed by the Conference (liabilities); and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the Conference's operations, which includes costs of identifiable supporting services provided by other federal agencies. The Statement of Budgetary Resources reports the Conference's budgetary activity.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of Accounting

Transactions are recorded on the accrual basis of accounting in accordance with OMB Circular A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to the receipt or payment of cash.

(d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(e) Budgets and Budgetary Accounting

The Conference follows standard federal budgetary accounting policies and practices in accordance with OMB Circular A-11, "*Preparation, Submission, and Execution of the Budget*," dated June 2018. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The Conference recognizes budgetary resources as assets when cash (funds held by Treasury) is made available through warrants and when spending authority from the offsetting collection is incurred.

(f) Revenues and Other Financing Sources

The Conference received the funding necessary to support its programs, from appropriations in FY2013, FY2014, FY2015, FY2016, FY2017, and FY2018. None of the appropriations are "earmarked" funds.

(g) Imputed Financing Sources

In certain instances, operating costs of the Conference are paid out of funds appropriated to other federal agencies. In accordance with SFFAS 5, "*Accounting for Liabilities of the Federal Government*," all expenses of a federal entity should be reported by that agency, regardless of whether the agency will ultimately pay those expenses. Amounts for certain expenses of the Conference, which will be paid by other federal agencies, are recorded in the Statement of Net Cost. A related amount is recognized in the Statement of Changes in Net Position as an imputed financing source. The Conference records imputed expenses and financing sources for employee retirement plan contributions, group term life insurance, and health benefit costs, which are paid by the Office of Personnel Management (OPM).

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Personnel Compensation and Benefits

Salaries and wages of employees are recognized as accrued payroll expenses and related liabilities, as earned. These expenses are recognized as a funded liability when accrued. Annual leave is accrued as it is earned by employees, and is included in personnel compensation and benefit costs. An unfunded liability is recognized for earned, but unused annual leave, since from a budgetary standpoint, this annual leave will be paid from future appropriations when employees use the leave. The amount accrued is based upon current pay rates for employees. Sick leave and other types of leave that are not vested are expensed when used, and no future liability is recognized for these amounts.

The Conference's employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS); or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. The Conference and its employees both contribute to these systems. Although the Conference funds a portion of the benefits under CSRS and FERS, and makes the necessary payroll withholdings, it does not report assets associated with these benefit plans, in accordance with SFFAS 5.

For CSRS employees, the Conference contributes an amount equal to 7% of the employees' basic pay, to the plan. For FERS employees, the Conference contributes an amount equal to 13.7% of the employees' basic pay to the plan.

Both CSRS employees and FERS employees are eligible to participate in the Thrift Savings Plan (TSP). The TSP is a defined contribution retirement plan, intended to supplement the benefits provided under CSRS and FERS. For FERS employees, the Conference contributes an amount equal to 1% of the employee's basic pay to the TSP, and matches employee contributions up to an additional 4%. CSRS employees receive no matching contribution from the Conference.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees, government-wide, including the Conference's employees. The Conference has recognized an Imputed Cost and Imputed Financing Source for the difference between the estimated service cost and the contributions made by the Conference and its covered employees. The estimated cost of pension benefits is based on rates issued by OPM.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Personnel Compensation and Benefits (continued)

Employees are entitled to participate in the Federal Employees Group Life Insurance (FEGLI) Program. Participating employees can obtain “basic life” term life insurance, with the employee paying two-thirds of the cost, and the Conference paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers the FEGLI program, and is responsible for the reporting of related liabilities. Each fiscal year, OPM calculates the U.S. Government’s service cost for the post-retirement portion of basic life coverage. Because the Conference’s contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Conference has recognized the entire service cost of the post-retirement portion of basic life coverage as an Imputed Cost and Imputed Financing Source.

(i) Assets and Liabilities

Intra-governmental assets and liabilities arise from transactions between the Conference and other Federal entities.

Funds with the U.S. Treasury comprise the majority of assets on the Conference’s balance sheet. All other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the Conference as a result of transactions that have already occurred. The accounts payable portion of liabilities consists of amounts owed to federal agencies and commercial vendors, for goods, services, and other expenses received, but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of the Conference for which Congress has appropriated funds, or funding is otherwise available to pay amounts due.

(j) Fund Balance with Treasury

The U.S. Department of the Treasury (Treasury) processes the Conference’s receipts and disbursements. Fund Balance with Treasury is the aggregate amount of the agency’s accounts with Treasury for which the agency is authorized to liquidate obligations, pay funded liabilities, and make expenditures. The fund balance is increased through the receipt of Treasury warrants for appropriations. The Fund Balance with Treasury is reduced through non-expenditure Treasury Warrants for recissions, disbursements, and other expenditure cash outflows of funds.

The Conference’s funds with the U.S. Treasury are cash balances from appropriations as of the fiscal year-end from which the Conference is authorized to make expenditures and pay liabilities resulting from operational activity.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, Plant, and Equipment (PPE)

PPE consists of capitalized equipment, furniture and fixtures, and software. There are no restrictions on the use or convertibility of property, plant, or equipment.

The Conference capitalizes PPE with a useful life of at least two (2) years and individually costing more than \$5,000 (\$15,000 for leasehold improvements). Bulk purchases of lesser value items are capitalized when the aggregate cost is \$10,000 or greater.

Assets are depreciated on a straight-line basis over the estimated used life of the property. Information Technology (IT) equipment and software is depreciated over a useful life of five (5) years. All other equipment is depreciated over a five (5) year useful life, and leasehold improvements are depreciated over the seven (7) years, or the remaining life of the lease.

(l) Prepaid and Deferred Charges

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

(m) Liabilities

Liabilities represent amounts expected to be paid as the result of a transaction or event that has already occurred. Liabilities covered by budgetary resources are liabilities incurred, which are covered by realized budgetary resources as of the balance sheet date. Available budgetary resources include new budget authority, spending authority from the offsetting collections, recoveries of unexpired budget authority through downward adjustments of prior year obligations, and unobligated balances of budgetary resources at the beginning of the year. Unfunded liabilities are not considered to be covered by such budgetary resources. Examples of unfunded liabilities are actuarial liabilities for future Federal Employees' Compensation Act payments and annual leave. The Government, acting in its sovereign capacity, can abrogate liabilities arising from other than contracts.

(n) Contingencies

The criteria for recognizing contingencies for claims are: (1) a past event or exchange transaction has occurred as of the date of the statements; (2) a future outflow or other sacrifice of resources is probable; and (3) the future outflow or sacrifice of resources is measurable (reasonably estimated). The Conference recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and environmental suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

Administrative Conference of the United States
Notes to Financial Statements
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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent amounts of budget authority to include unobligated or obligated balances not rescinded or withdrawn. Cumulative results of operations are comprised of the following: (1) the difference between revenues and expenses, (2) the net amount of transfers of assets in and out, without reimbursement; and (3) donations, all since inception of the fund(s).

NOTE 2 – FUND BALANCE WITH TREASURY

The Conference's funds with the U.S. Treasury consist only of appropriated funds. In FY 2018, the Conference received a multi-year appropriation of \$3,100,000. The status of these funds as of September 30, 2018 is as follows:

	2018	2017
A. Fund Balance with Treasury		
General Fund	\$ 691,822.56	\$ 697,427.27
Total	\$ 691,822.56	\$ 697,427.27
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	216,340.85	179,846.54
b) Unavailable	55,471.81	164,268.18
c) Unavailable - Unfilled Customer Order Without Advance	-	(135,000.00)
2) Obligated Balance not yet Disbursed	420,009.90	488,312.55
Total	\$ 691,822.56	\$ 697,427.27

NOTE 3 – ACCOUNTS RECEIVABLE, NET

This FY2018 line item represents Accounts Receivable for a refund due from a vendor and Claims from Associates. This FY2017 line item represents Accounts Receivable for services provided per agreement entered into by the Conference. The direct write-off method is used for uncollectible receivables.

	2018	2017
Accounts Receivable	\$ 25,846.55	\$ 82,483.78
	\$ 25,846.55	\$ 82,483.78

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Notes to Financial Statements
September 30, 2018

NOTE 4 - GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The Conference's total cost, accumulated depreciation, and net book value for PPE for the years ended September 30, 2018 and 2017 is as follows.

<u>2018</u>	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Software</u>	<u>Total</u>
Cost	\$ 358,125.83	\$ 41,248.00		\$ 399,373.83
Accum. Depr.	\$ (344,459.43)	\$ (8,356.04)		\$ (352,815.47)
Net Book Value	<u>\$ 13,666.40</u>	<u>\$ 32,891.96</u>	<u>\$ -</u>	<u>\$ 46,558.36</u>

<u>2017</u>	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Software</u>	<u>Total</u>
Cost	\$ 358,125.83	\$ 41,248.00		\$ 399,373.83
Accum. Depr.	\$ (339,956.44)	\$ (2,468.10)		\$ (342,424.54)
Net Book Value	<u>\$ 18,169.39</u>	<u>\$ 38,779.90</u>	<u>\$ -</u>	<u>\$ 56,949.29</u>

NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Conference are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2018, the Conference had liabilities covered by budgetary resources of \$89,788.03 and liabilities not covered by budgetary resources of \$141,783.02. As of September 30, 2017, the Conference had liabilities covered by budgetary resources of \$252,178.04 and liabilities not covered by budgetary resources of \$133,558.85.

Administrative Conference of the United States
Notes to Financial Statements
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**NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES
(CONTINUED)**

	2018	2017
Intragovernmental		
Employer Contributions & Payroll Taxes	12,881.93	13,643.71
Liability for Advances and Prepayments	-	63,500.00
Total Intragovernmental	12,881.93	77,143.71
With the Public		
Accounts Payable	19,841.46	120,726.17
Accrued Funded Payroll & Leave	54,555.76	51,771.20
Employer Contributions & Payroll Taxes	2,508.88	2,536.96
Unfunded Leave	141,783.02	133,558.85
Total With the Public	218,689.12	308,593.18
Total Liabilities	231,571.05	385,736.89
Total liabilities not covered by budgetary resources	141,783.02	133,558.85
Total liabilities covered by budgetary resources	89,788.03	252,178.04
Total Liabilities	231,571.05	385,736.89

NOTE 6 – OTHER LIABILITIES

Other liabilities with the public for the year ended September 30, 2018 and 2017 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable and Liability for Advances and Prepayments.

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Notes to Financial Statements
September 30, 2018

NOTE 6 – OTHER LIABILITIES (CONTINUED)

	2018		
	Non-Current	Current	Total
Intragovernmental			
Employer Contrabutions and Payroll Taxes	-	12,881.93	12,881.93
Liability for Advances and Prepayments	-	-	-
Total Intragovernmental	<u>-</u>	<u>12,881.93</u>	<u>12,881.93</u>
Liabilites with the Public			
Accrued Funded Payroll & Leave	-	54,555.76	54,555.76
Employer Contributions and Payroll Taxes	-	2,508.88	2,508.88
Unfunded Leave	141,783.02	-	141,783.02
Total Liabilities with the Public	<u>141,783.02</u>	<u>57,064.64</u>	<u>198,847.66</u>
Total Other Liabilities	<u><u>141,783.02</u></u>	<u><u>69,946.57</u></u>	<u><u>211,729.59</u></u>
	2017		
	Non-Current	Current	Total
Intragovernmental			
Employer Contrabutions and Payroll Taxes	-	13,643.71	13,643.71
Liability for Advances and Prepayments	-	63,500.00	63,500.00
Total Intragovernmental	<u>-</u>	<u>77,143.71</u>	<u>77,143.71</u>
Liabilites with the Public			
Accrued Funded Payroll & Leave	-	51,771.20	51,771.20
Employer Contributions and Payroll Taxes	-	2,536.96	2,536.96
Unfunded Leave	133,558.85	-	133,558.85
Total Liabilities with the Public	<u>133,558.85</u>	<u>54,308.16</u>	<u>187,867.01</u>
Total Other Liabilities	<u><u>133,558.85</u></u>	<u><u>131,451.87</u></u>	<u><u>265,010.72</u></u>

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NOTE 7 – LEASES

Entity as Lessee:

The Conference leases office space, located at 1120 20th Street, NW; Suite 706 South, in Washington, DC. The lease was entered into, and became effective, on August 9, 2015; and has a term of 60 months. The lease terminates on August 8, 2020.

The following is a schedule of future minimum lease payments required by the lease:

2019	\$ 426,262.99
2020	<u>\$ 352,732.41</u>
Total Future Lease Payments	<u><u>\$ 778,995.40</u></u>

NOTE 8 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The Conference returned \$60,000 in unused reimbursable advances to a trading partner in FY2017. At the time of the return of the advance, unfilled customer orders were debited (increased) instead of unobligated balance being debited (decreased) like they should have been. The \$60,000 decrease is a correction of this FY2017 error.

NOTE 9 – APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS: DIRECT VS REIMBURSABLE OBLIGATIONS

The Conference is subject to apportionment. All direct obligations are category B, which is the amount of direct obligations incurred against amounts apportioned under category B on the latest SF 132. All reimbursable obligations are category B, which is the amount of reimbursable obligations incurred against amounts apportioned under category B on the latest SF132.

	<u>Total 2018</u>	<u>Total 2017</u>
Direct		
Category B	3,071,185.71	3,173,549.62
Reimbursable		
Category B	<u>63,500.00</u>	<u>324,483.78</u>
Total Obligations	<u><u>3,134,685.71</u></u>	<u><u>3,498,033.40</u></u>

Administrative Conference of the United States
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NOTE 10 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of budgetary resources obligated for undelivered orders was \$317,255.80 and \$299,634.51 as of September 30, 2018 and 2017, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
2018	330,221.87	-	\$ 330,221.87
2017	329,098.77	-	\$ 329,098.77

NOTE 11 – EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE US GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2018 actual budgetary execution information is scheduled for publication in February 2019, which will be available through OMB’s website at <http://www.whitehouse.gov/omb>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2017 SBR and the related President’s Budget reflected the following:

FY2017	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	\$ 3,842,148.12	\$ 3,498,033.40	\$ -	\$ 3,227,846.95
<i>Budget of the U.S. Government</i>	4,000,000.00	3,000,000.00	\$ -	3,000,000.00
Difference	<u>\$ (157,851.88)</u>	<u>\$ 498,033.40</u>	<u>\$ -</u>	<u>\$ 227,846.95</u>

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* for budgetary resources, obligations incurred and net outlays are primarily due to rounding. A portion of the difference in the budgetary resources is due to expired unobligated balances being reported in the Statement of Budgetary Resources but not in the Budget of the United States Government

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NOTE 12 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Budgetary resources obligated are obligations for personnel, goods, services, benefits, etc. made by the Conference in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by the Conference in its program (proprietary) operations. For example, spending authority from offsetting collections and recoveries are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). An imputed financing source is recognized for future federal employee benefits costs incurred for Conference employees that will be funded by OPM. Changes in budgetary resources obligated for goods, services, and benefits ordered, but not yet provided, represents the difference between the beginning and ending balances of undelivered orders. (Note that goods and services received during the year based on obligations incurred in the prior year represent a cost of operations not funded from budgetary resources). Resources that finance the acquisition of assets, are budgetary resources used to finance assets, and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing sources yet to be provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, components not requiring or generating resources, are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between budgetary resources obligated, and net cost of operations (i.e. providing an explanation between budgetary and financial (proprietary) accounting) is as follows: (Please note that in prior years, this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2018	FY 2017	
Budgetary Resources Obligated	3,134,685.71	3,498,033.40	
Spending Authority from Recoveries and Offsetting Collections	32,516.22	13,301.06	
Transfers In-Out Without Reimbursement			
Imputed Financing from Costs Absorbed by Others	83,227.99	64,258.81	
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(229,087.36)	(439,083.37)	
Resources that Finance the Acquisition of Assets	56,637.23	(129,872.38)	
Financing Sources Yet to be Provided	8,224.17	(7,995.64)	
Components Not Requiring or Generating Resources	10,390.93	5,746.99	
Net Cost of Operations	\$3,096,594.89	\$3,004,388.87	

Administrative Conference of the United States
Notes to Financial Statements
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**NOTE 12 – RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
(CONTINUED)**

Liabilities not covered by budgetary resources total \$141,783.02 and the change in components requiring or generating resources in future period shows \$8,224.17. The \$7,995.64 is the net increase of future funded expenses – leave between appropriations of annual fund 2017 and annual fund 2018. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

	<u>2018</u>	<u>2017</u>
Liabilities not covered by budgetary resources	141,783.02	133,558.85
Change in components requiring/generating resources	8,224.17	(7,995.64)

NOTE 13 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 14, 2018, which is the date the financial statements were available to be issued.