Federal Mediation and Conciliation Service (FMCS)
Fiscal Year 2020 Financial Statement Audit

Final Independent Auditors' Report

Submitted for review and acceptance to:
Terry Lee
Contracting Officer's Representative (COR)
Federal Mediation and Conciliation Service
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Submitted by:
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FEDERAL MEDIATION AND CONCILIATION SERVICE
AUDIT REPORT
SEPTEMBER 30, 2020

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Independent Auditors' Report

The Director
Federal Mediation and Conciliation Service:

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Mediation and Conciliation Service, which comprise the balance sheets as of September 30, 2020 and 2019; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years ended; and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes 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

Our responsibility is to express an opinion on the fiscal years 2020 and 2019 financial statements of FMCS 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 the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Mediation and Conciliation Service as of September 30, 2020 and 2019, and its net cost of operations, 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

Required Supplementary Information

The information in the *Message from the Director*, *Management Discussion and Analysis* section, and *Other Accompanying Information* section of this report is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of FMCS's financial statements. However, we did not audit this information and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of FMCS's financial statements as of and for the year ended September 30, 2020, in accordance with generally accepted government auditing standards, we considered FMCS'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 FMCS's internal control over financial reporting. Accordingly, we do not express an opinion on FMCS's internal controls over financial reporting. We limited internal control testing to those necessary to achieve the objectives described in OMB Bulletin No. 19-03. We did not test all internal control 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 misstatement on a timely basis. A material weakness is a deficiency, or combination of deficiencies, 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 the attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting 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 2020 audit we did not identify any deficiencies in internal control over financial reporting that we considered to be a material weakness, as defined above. However, material weaknesses may exist that have not been identified.

Exhibit I presents the status of prior year findings and recommendations.

Furthermore, we noted an additional matter that we will report to FMCS management in a separate letter.

Compliance and Other Matters Specific to the Financial Statements

As part of obtaining reasonable assurance about whether FMCS's fiscal year 2020 financial statements are free of material misstatements, we performed tests of FMCS's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements, which noncompliance could have a direct and material effect on the determination of material amounts and disclosures in FMCS's financial statements, and certain provisions of other laws specified in OMB Bulletin No. 19-03. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance as described in the preceding paragraph disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by Government Auditing Standards section is solely to describe the scope of our testing of internal control and 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 the effectiveness of the FMCS's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal controls and compliance with laws, regulations, contracts, and grant agreements which could have a material effect FMCS's financial statements. Accordingly, this communication is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, MD
November 16, 2020

The following table provides the fiscal year (FY) 2020 status of all recommendations included in the Independent Auditors' Report on the FY 2020 Financial Statement Audit's FY 2019 Financial Statements (November 15, 2019).

FY 2019 Finding	FY 2019 Recommendations	FY 2020 Status
Lack of Sufficient Internal Controls over Financial Reporting for Upward and Downward Adjustments of Prior Year Obligations (2019-01)	**Recommendation:** 1. Enhance current review process, to ensure all transactions are recorded completely, accurately and in compliance with the USSGL. 2. Implement a policy and procedure to identify on a quarterly basis upward adjustments and downward adjustments that should not be recorded to the general ledger so that adjustments can be recorded to properly state ending balances.	Closed
Internal Controls over Journal Vouchers are Not Properly Designed and Implemented (2019-05)	**Recommendation:** 1. Design and implement policies and procedures to verify that the correct entries are recorded in GLOWS. 2. Provide additional training on the USSGL guidance for properly recording transactions.	Closed

FEDERAL MEDIATION AND CONCILIATION SERVICE

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

FEDERAL MEDIATION AND CONCILIATION SERVICE
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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FEDERAL MEDIATION AND CONCILIATION SERVICE
BALANCE SHEET
AS OF SEPTEMBER 30, 2020 AND 2019
(In Dollars)

		2020		2019
Assets:				
Intragovernmental				
Fund Balance With Treasury (Note 2)	$	12,690,845	$	12,177,071
Accounts Receivable (Note 3)		206,724		18,574
Total Intragovernmental		12,897,569		12,195,645
Accounts Receivable, Net (Note 3)		10,626		-
General Property, Plant, and Equipment, Net (Note 4)		326,432		309,212
Total Assets	$	13,234,627	$	12,504,857
Liabilities:				
Intragovernmental				
Other (Note 6)	$	664,108	$	633,746
Total Intragovernmental		664,108		633,746
Accounts Payable		204,339		173,225
Federal Employee and Veteran Benefits		1,654,304		1,752,946
Other (Note 6)		4,679,949		3,693,478
Total Liabilities	$	7,202,700	$	6,253,395
Net Position:				
Unexpended Appropriations - All Other Funds	$	7,368,885	$	7,635,205
Cumulative Results of Operations - All Other Funds		(1,336,958)		(1,383,743)
Total Net Position	$	6,031,927	$	6,251,462
Total Liabilities and Net Position	$	13,234,627	$	12,504,857

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

		2020		2019
Gross Program Costs:				
Gross Costs	$	50,998,860	$	52,114,505
Less: Earned Revenue		(2,173,278)		(2,341,178)
Net Cost of Operations	$	48,825,582	$	49,773,327

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

		2020		2019
Unexpended Appropriations:				
Beginning Balances, as Adjusted		7,635,205		8,893,986
Budgetary Financing Sources:				
Appropriations Received		47,200,000		46,650,000
Other Adjustments		(150,896)		(709,985)
Appropriations Used		(47,315,424)		(47,198,796)
Total Budgetary Financing Sources		(266,320)		(1,258,781)
Total Unexpended Appropriations	$	7,368,885	$	7,635,205
Cumulative Results of Operations:				
Beginning Balances, as Adjusted		(1,383,743)		(895,365)
Budgetary Financing Sources:				
Appropriations Used		47,315,424		47,198,796
Other Financing Sources (Non-Exchange):				
Imputed Financing (Note 9)		1,556,943		2,086,153
Total Financing Sources		48,872,367		49,284,949
Net Cost of Operations		(48,825,582)		(49,773,327)
Net Change		46,785		(488,378)
Cumulative Results of Operations	$	(1,336,958)	$	(1,383,743)
Net Position	$	6,031,927	$	6,251,462

FEDERAL MEDIATION AND CONCILIATION SERVICE
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(In Dollars)

	2020	2019
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 10)	$ 6,955,844	$ 6,220,935
Appropriations	47,200,000	46,650,000
Spending authority from offsetting collections	2,594,624	2,342,206
Total Budgetary Resources	$ 56,750,468	$ 55,213,141
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 11)	$ 49,215,749	$ 48,193,226
Unobligated balance, end of year:		
Apportioned, unexpired account	1,201,633	2,330,346
Unapportioned, unexpired accounts	2,522,000	1,572,655
Unexpired unobligated balance, end of year	3,723,633	3,903,001
Expired unobligated balance, end of year	3,811,086	3,116,914
Unobligated balance, end of year (total)	7,534,719	7,019,915
Total Budgetary Resources	$ 56,750,468	$ 55,213,141
Outlays, Net and Disbursements, Net:		
Outlays, net (total)	46,535,330	47,883,770
Agency outlays, net	46,535,330	47,883,770

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Federal Mediation and Conciliation Service (the FMCS) is an independent Federal agency whose primary mission is to prevent or minimize labor-management disputes affecting interstate commerce by providing mediation, conciliation, and voluntary arbitration. These activities are performed in both the private and public sectors, except for the railroad and airline industries, which are covered by the Railway Labor Act and the National Mediation Board, respectively. As of September 30, 2020, the FMCS consisted of a national office, 8 district offices, and 11 field offices. The FMCS reporting entity is comprised of General Funds and General Miscellaneous Receipts.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. The FMCS manages Operations and Facilities, Engineering and Development General Fund accounts.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

The FMCS has rights and ownership of all assets reported in these financial statements. The reporting entity is a component of the U.S Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. The FMCS does not possess any non-entity assets.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations of the FMCS. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of The FMCS in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* as amended, and the FMCS accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control FMCS's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

D. Fund Balance with Treasury

FBWT is an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the FMCS's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The FMCS does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Funds are disbursed for the agency on demand. Foreign currency payments are made either by Treasury or the Department of State and are reported by the FMCS in the U.S. dollar equivalents.

E. Accounts Receivable

Accounts receivable consists of amounts owed to the FMCS by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees and non-federal reimbursable work. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

F. Property, Equipment, and Software

Property, equipment and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred. The FMCS's capitalization threshold is $5,000 for individual purchases and a total useful life exceeding on year. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. Calculating depreciation is on an estimated useful life of five (5) years for software, equipment, and capital lease assets.

G. Liabilities

Liabilities represent the amount of funds likely to be paid by the FMCS as a result of transactions or events that have already occurred.

The FMCS reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

H. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

I. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the FMCS employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the FMCS terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of the net present value of estimated future payments calculated by the DOL.

J. Retirement Plans

The FMCS employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the FMCS matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal

Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the FMCS matches any employee contribution up to an additional four percent of pay. For FERS participants, the FMCS also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the FMCS remits the employer's share of the required contribution.

The FMCS recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the FMCS for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The FMCS recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The FMCS does not report on its financial statement information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

K. Other Post-Employment Benefits

The FMCS employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the FMCS with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The FMCS recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM and offset by the FMCS through the recognition of an imputed financing source.

L. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

M. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2020 and 2019, were as follows:

	2020	2019
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 1,201,633	$ 2,330,346
Unavailable	6,368,217	4,689,569
Obligated Balance Not Yet Disbursed	5,120,995	5,157,156
Non-Budgetary FBWT	-	-
Total	$ 12,690,845	$ 12,177,071

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 12).

NOTE 3. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2020 and 2019, were as follows:

	2020	2019
Intragovernmental		
Accounts Receivable	$ 206,724	$ 18,574
Total Intragovernmental Accounts Receivable	$ 206,724	$ 18,574
With the Public		
Accounts Receivable	$ 10,626	$ -
Total Public Accounts Receivable	$ 10,626	$ -
Total Accounts Receivable	$ 217,350	$ 18,574

The accounts receivable is primarily made up of amounts due from federal government departments and other agencies.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2020 and 2019.

NOTE 4. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

Schedule of General Property, Plant and Equipment, Net as of September 30, 2020:

Major Class	Acquisition Cost	Accumulate d Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 1,022,888	$ 841,700	$ 181,188
Construction-in-Progress	145,244	N/A	145,244
Total	$ 1,168,132	$ 841,700	$ 326,432

Schedule of General Property, Plant and Equipment, Net as of September 30, 2019:

Major Class	Acquisition Cost	Accumulate d Amortization/ Depreciation	Net Book Value
Furniture & Equipment	$ 1,074,887	$ 765,675	$ 309,212
Total	$ 1,074,887	$ 765,675	$ 309,212

NOTE 5. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the FMCS as of September 30, 2020 and 2019, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2020	2019
Intragovernmental – FECA	$ 246,417	$ 336,135
Unfunded Leave	3,057,139	2,513,606
Actuarial FECA	1,654,305	1,752,946
Total Liabilities Not Covered by Budgetary Resources	$ 4,957,861	$ 4,602,687
Total Liabilities Covered by Budgetary Resources	2,244,839	1,650,708
Total Liabilities	$ 7,202,700	$ 6,253,395

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the FMCS's behalf and payable to the DOL. The FMCS also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 6. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2020 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	246,417	$	-	$	246,417
Payroll Taxes Payable		417,691		-		417,691
Total Intragovernmental Other Liabilities	$	664,108	$	-	$	664,108
With the Public						
Payroll Taxes Payable	$	63,231	$	-	$	63,231
Accrued Funded Payroll and Leave		1,554,382		-		1,554,382
Unfunded Leave		-		3,057,139		3,057,139
Other Liabilities		5,197		-		5,197
Total Public Other Liabilities	$	1,622,810	$	3,057,139	$	4,679,949

Other liabilities account balances as of September 30, 2019 were as follows:

	Current		Non Current		Total	
Intragovernmental						
FECA Liability	$	336,135	$	-	$	336,135
Payroll Taxes Payable		297,611		-		297,611
Total Intragovernmental Other Liabilities	$	633,746	$	-	$	633,746
With the Public						
Payroll Taxes Payable	$	18,576	$	-	$	18,576
Accrued Funded Payroll and Leave		1,161,296		-		1,161,296
Unfunded Leave		-		2,513,606		2,513,606
Total Public Other Liabilities	$	1,179,872	$	2,513,606	$	3,693,478

NOTE 7. LEASES

The FMCS leases office space for headquarters operations in Washington, D.C. and for district and field operations. The lease agreements expire at various dates, the latest being 2034. Assets held under these leases consist primarily of offices. All office space occupied by the FMCS is leased by the General Services Administration.

Future estimated minimum lease payments for the fiscal years ended September 30 are as follows:

Fiscal Year	Office Space
2021	$ 4,180,787
2022	4,216,213
2023	4,011,908
2024	4,029,346
2025	3,949,393
2026 thru 2034	19,594,805
Total Future Payments	$ 39,982,452

Due to three (3) office closures in FY2020 (Louisville, New Orleans, and Atlanta) this affected forecasting numbers starting in FY2021.

NOTE 8. COMMITMENTS AND CONTINGENCIES

The FMCS did not have any material contingent liabilities that met disclosure requirements as of September 30, 2020 and 2019.

NOTE 9. INTER-ENTITY COSTS

The FMCS recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. The FMCS recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the periods ended September 30, 2020 and 2019, respectively, inter-entity costs were as follows:

	2020	2019
Office of Personnel Management	$ 1,556,943	$ 2,086,153
Total Imputed Financing Sources	$ 1,556,943	$ 2,086,153

NOTE 10. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2020, and 2019, consisted of the following:

	2020	2019
Unobligated Balance Brought Forward From Prior Year, October 1	$ 7,019,915	$ 6,117,877
Recoveries of Prior Year Obligations	86,825	813,043
Other Changes in Unobligated Balances	(150,896)	(709,985)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 6,955,844	$ 6,220,935

NOTE 11. APPORTIONMENT CATEGORIES OF NEW OBLIGATIONS AND UPWARD ADJUSTMENTS

New obligations and upward adjustments incurred and reported in the Statement of Budgetary Resources in 2020 and 2019 consisted of the following:

	2020	2019
Direct Obligations, Category A	$ 47,595,948	$ 47,061,000
Reimbursable Obligations, Category A	1,619,801	1,132,226
Total New Obligations and Upward Adjustments	$ 49,215,749	$ 48,193,226

Category A apportionments distribute budgetary resources by fiscal quarters.

NOTE 12. UNDELIVERED ORDERS AT THE END OF THE PERIOD

As of September 30, 2020, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 146,279	$ 3,367,197	$ 3,513,476
Total Undelivered Orders	$ 146,279	$ 3,367,197	$ 3,513,476

As of September 30, 2019, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	$ 176,940	$ 3,312,951	$ 3,489,891
Total Undelivered Orders	$ 176,940	$ 3,312,951	$ 3,489,891

NOTE 13. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2020 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2021 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/.* The 2021 Budget of the United States Government, with the "Actual" column completed for 2019, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

In Millions

	Budgetary Resources	New Obligations Distributed & Upward Adjustments	Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 55	$ 48	$ -	$ 48
Unobligated Balance Not Available	(3)	-	-	-
Budget of the U.S. Government	$ 52	$ 48	$ -	$ 48

NOTE 14. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Reconciliation of Net Cost to Net Outlays as of September 30, 2020:

RECONCILIATION OF NET COST TO NET OUTLAYS
FOR THEYEAR ENDED SEPTEMBER 30, 2020
(In Dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 13,930,222	$ 34,895,360	$ 48,825,582
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(125,904)	(125,904)
Other - Conversion related fixed asset reclassification	-	16,406	16,406
Increase/(Decrease) in assets not affecting Budget Outlays:			
Accounts receivable	188,150	10,626	198,776
(Increase)/Decrease in liabilities not affecting Budget Outlays:			
Accounts payable	-	(35,761)	(35,761)
Salaries and benefits	(120,080)	(437,740)	(557,820)
Other liabilities	89,718	(445,442)	(355,724)
Other financing sources:			
Imputed federal employee retirement benefit costs	(1,556,943)	-	(1,556,943)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (1,399,155)	$ (1,017,815)	$ (2,416,970)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	126,718	126,718
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 126,718	$ 126,718
Net Outlays (Calculated Total)	$ 12,531,067	$ 34,004,263	$ 46,535,330
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			46,535,330
Agency Outlays, Net (SBR 4210)			$ 46,535,330

Reconciliation of Net Cost to Net Outlays as of September 30, 2019:

RECONCILIATION OF NET COST TO NET OUTLAYS
FOR THEYEAR ENDED SEPTEMBER 30, 2019
(In Dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 13,476,985	$ 36,296,342	$ 49,773,327
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(261,198)	(261,198)
Property, plant, and equipment disposal & reevaluation	-	(24,723)	(24,723)
Increase/(Decrease) in assets not affecting Budget Outlays:			
Accounts receivable	(9,207)	-	(9,207)
(Increase)/Decrease in liabilities not affecting Budget Outlays:			
Accounts payable	-	811,792	811,792
Salaries and benefits	(42,303)	(135,655)	(177,958)
Insurance and guarantee program liabilities	-	-	-
Environmental and disposal liabilities	-	-	-
Other liabilities	(5,185)	(238,228)	(243,413)
Other financing sources:			
Imputed federal employee retirement benefit costs	(2,086,153)	-	(2,086,153)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (2,142,848)	$ 151,988	$ (1,990,860)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	101,303	101,303
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 101,303	$ 101,303
Net Outlays (Calculated Total)	$ 11,334,137	$ 36,549,633	$ 47,883,770
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			47,883,770
Agency Outlays, Net (SBR 4210)			$ 47,883,770