UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND

INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2019 AND 2018

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 14, 2019

UNITED STATES DEPARTMENT OF THE TREASURY
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INDEPENDENT AUDITOR'S REPORT

U.S. Treasury Franchise Fund
Washington, D.C.

In our audits of the fiscal years 2019 and 2018 financial statements of the U.S. Treasury Franchise Fund (the Fund), we found

- The Fund's financial statements as of and for the fiscal years ended September 30, 2019, and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited the Fund's financial statements. The Fund's financial statements comprise the consolidated balance sheet as of September 30, 2019, and 2018; the related consolidated statements of net cost, changes in net position, and the combined statements of 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 and the provisions of OMB Bulletin No.19-03, *Audit Requirements for federal Financial Statements.* We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

The Fund'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.

6401 GOLDEN TRIANGLE DRIVE, SUITE 310 • GREENBELT, MD 20770
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com

Auditor's 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 Fund's financial statements present fairly, in all material respects, the Fund's financial position as of September 30, 2019, and 2018, and its consolidated statements of net cost of operations, changes in net position, and combined statement of 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 Fund'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 Fund'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 Fund's financial statements, we considered the Fund's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Fund's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

The Fund'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 Fund's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered the Fund'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 Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the Fund'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 Fund'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.

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 Fund's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Fund'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 Fund'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

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

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the Fund that have a direct effect on the determination of material amounts and disclosures in the Fund'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 Fund.

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 disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Fund. 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.

This report is intended solely for the information and use of the management of the Fund, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown & Company

Greenbelt, Maryland
November 14, 2019

UNITED STATES DEPARTMENT OF TREASURY

TREASURY FRANCHISE FUND

Consolidated Balance Sheet

As of September 30, 2019 and September 30, 2018

	2019	2018
Assets		
Intragovernmental		
Fund balance with treasury (Note 2)	$ 396,104,912	$ 334,287,806
Accounts receivable (Note 3)	231,526	12,985,615
Other (Note 5)	-	-
Total intragovernmental	396,336,438	347,273,421
With the public		
Accounts receivable (Note 3)	55,859	602,283
Property and equipment, net (Note 4)	43,260,503	51,945,727
Other (Note 5)	-	241
Total with the public	43,316,362	52,548,251
Total assets	$ 439,652,800	$ 399,821,672
Liabilities		
Intragovernmental		
Accounts payable	$ 2,710,169	$ 3,021,852
Other (Note 6)	2,125,787	1,681,730
Total intragovernmental	4,835,956	4,703,582
With the public		
Accounts payable	8,651,692	10,213,842
Other (Note 6)	21,345,219	17,241,937
Total with the public	29,996,911	27,455,779
Total liabilities	34,832,867	32,159,361
Commitments and contingencies (Note 7)		
Net position		
Invested capital (Note 8)	118,076,652	118,076,652
Cumulative results of operations	286,743,281	249,585,659
Total net position	404,819,933	367,662,311
Total liabilities and net position	$ 439,652,800	$ 399,821,672

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

UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND

Consolidated Statements of Net Cost

For the Years Ended September 30, 2019 and 2018

	2019	2018
Gross costs (Note 9)	$ 637,905,234	$ 546,229,905
Less: Earned revenue	661,001,342	569,660,242
Net cost of operations (Note 10)	$ (23,096,108)	$ (23,430,337)

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

UNITED STATES DEPARTMENT OF THE TREASURY

TREASURY FRANCHISE FUND

Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2019 and 2018

	2019	2018
Cumulative results of operations		
Beginning balance	$ 249,585,659	$ 216,446,468
Budegtary financing sources (non-exchange)		
Other	-	-
Other financing sources (non-exchange)		
Imputed financing (Note 11)	15,037,532	13,058,835
Other Resources	(976,018)	(3,349,981)
Net cost of operations	23,096,108	23,430,337
Total cumulative results of operations	286,743,281	249,585,659
Invested capital		
Beginning balance	118,076,652	118,076,652
Budgetary financing sources		
Transfers in/(out) without reimbursement	-	-
Total invested capital	118,076,652	118,076,652
Net position	$ 404,819,933	$ 367,662,311

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

UNITED STATES DEPARTMENT OF THE TREASURY
TREASURY FRANCHISE FUND

Combined Statements of Budgetary Resources

For the Years Ended September 30, 2019 and 2018

BUDGETARY RESOURCES	2019	2018
Unobligated balance brought forward, October	$ 204,309,624	$ 191,650,615
Appropriations (discretionary and mandatory)	-	-
Borrowing Authority (discretionary and mandatory)	-	-
Contract Authority (discretionary and mandatory)	-	-
Spending Authority from offsetting collections	732,299,660	594,298,733
Total Budgetary Resources	$ 936,609,284	$ 785,949,348
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 727,304,811	$ 589,729,878
Apportioned	209,304,473	187,299,903
Exempt from Apportionment	-	-
Unapportioned	-	8,919,567
Unobligated balance brought forward, end of year (total)	936,609,284	785,949,348
Total Budgetary Resources	$ 936,609,284	$ 785,949,348
Outlays, net (discretionary and mandatory)	(61,817,107)	(35,467,466)
Distributed offsetting receipts	(153)	(4)
Agency Outlays, net (discretionary and mandatory)	$ (61,817,260)	$ (35,467,470)

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

Note 1. Significant Accounting Policies

A. Reporting Entity

The Treasury Franchise Fund (the Fund) was established as a pilot program in 1996 to provide financial and administrative support services determined by the Secretary of the Treasury to be advantageous as central services. Through proven successes in improving quality of service, increasing standardization and compliance, and providing cost sharing opportunities, the Fund was made permanent in 2005 and is currently authorized by 31 U.S.C. 322, note.

The Fund includes the Shared Services Programs (SSP) and the Administrative Resource Center (ARC) business lines. The Fund provides financial management, procurement, travel, HR, IT, and other administrative services to federal customers, including a majority of the Department of the Treasury bureaus, on a fully cost recoverable, fee-for-service basis. The Fund is authorized to be reimbursed at rates that recover operational costs, which include salaries and benefits, contractual services, capital improvements, internal support and other costs. In addition, the Fund is reimbursed an amount necessary to maintain a reasonable operating reserve.

In FY 2014, ARC completed the lengthy multi-stage application process to become a designated FSSP. One of only four designated FSSPs, ARC will work with OMB and the Office of Financial Innovation and Transformation (OFIT) to implement OMB M-13-08 and successfully transition federal agencies as they require upgrades or significant investments to their existing financial management system.

In FY 2014, the Working Capital Fund (WCF) transferred to the Treasury Franchise Fund. The objective of transferring WCF activities to the Fund is to facilitate the expansion of shared services, specifically to non-Treasury customers. The transfer also permits an increased level of transparency through the Funds' governance structure. The governance structure will increase the amount of customer involvement and input in addressing any potential issues or concerns raised by the customers.

B. Basis of Accounting and Presentation

The financial statements have been prepared from the Fund's accounting records in conformity with accounting principles generally accepted in the United States of America and Office of Management and Budget (OMB) Circular A-136. Accounting principles generally accepted for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the official accounting standards-setting body of the United States Government.

These financial statements are provided to meet the requirements of the Government Management Reform Act of 1994. The financial statements consist of the consolidated balance sheets, and the consolidated statements of net costs and changes in net position, and the combined statements of budgetary resources. The financial statements and the related notes are presented on a comparative basis providing information for fiscal years 2019 and 2018.

Note 1. Significant Accounting Policies (continued)

The Fund's financial statements with respect to the balance sheets, the statements of net cost, and the statements of changes in net position are reported using the accrual basis of accounting. 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. The Fund's statements of budgetary resources are reported using the budgetary basis of accounting. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, and services received, that will require payments during the same or future periods.

Intragovernmental assets and liabilities result from activity with other Federal agencies. All other assets and liabilities result from activity with parties outside the Federal government, such as domestic and foreign persons, organizations, or governments. Intragovernmental earned revenues are collections or accruals of revenue from other Federal agencies, and intragovernmental costs are payments or accruals to other Federal agencies.

While these financial statements have been prepared from the books and records of the Fund, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

C. Fund Balance with Treasury

The Fund does not maintain cash in commercial bank accounts. The Treasury processes cash receipts and disbursements. Fund Balance with Treasury represents funds remaining on deposit in the Fund's revolving fund and is available, without restriction, to pay current liabilities and finance authorized purchase commitments.

D. Accounts Receivable

Intragovernmental accounts receivable represents amounts due from other Federal agencies under contractual agreements or other arrangements for services or activities performed by the Fund. These receivables are expected to be fully collected.

Public accounts receivable consists of administrative receivables from employees or suppliers. Public accounts receivable is presented net of an allowance for doubtful accounts, which is determined by considering the debtor's current ability to pay, the debtor's payment record and willingness to pay, and an analysis of aged receivable activity.

E. Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. The Fund capitalizes property and equipment with an acquisition value of $50,000 or greater, and a useful life of two years or greater. The Fund also capitalizes bulk acquisitions of like-kind property and equipment items that are individually valued under the capitalization threshold but are, in the aggregate, significant to the Fund's financial position or net cost of operations.

Note 1. Significant Accounting Policies (continued)

Internal-use software includes purchased commercial off-the-shelf software (COTS), contractor developed software, and software that was internally developed by agency employees. For COTS software, the capitalized costs include the amount paid to the vendor for the software. For contractor developed software, it includes the amount paid to a contractor to design, program, install and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development phase.

Major alterations and renovations that increase an asset's useful life are capitalized, while normal maintenance and repair costs are charged to expense as incurred. Upon legal transfer, donation, or approval for disposal of property and equipment, the value of the related asset and corresponding accumulated depreciation is removed.

Equipment that is to be constructed is recorded as construction-in-progress until completed and is valued at actual costs. Construction-in-progress assets are not depreciated until completed and placed in service.

F. Accounts Payable

Accounts payable represent the amounts owed or accrued under contractual or other arrangements governing the transactions, including operating expenses incurred but not paid. Payments are made in a timely manner in accordance with the Prompt Payment Act. Interest penalties are paid when payments are late. Discounts are taken when cost effective and the invoice is paid within the discount period.

G. Annual, Sick and Other Leave

Leave is accrued as a liability when earned, and the accrual is reduced as leave is taken. The accrued leave balance reflects current pay rates and leave balances, and is reported within other liabilities in the accompanying balance sheets. Sick leave and other types of non-vested leave are charged to operating costs as the leave is taken.

H. Pension Costs, Other Retirement Benefits and Other Post Employment Benefits

Most Fund employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). As of September 30, 2019 and 2018, the Fund contributed 7 percent of base pay for regular employees.

Employees hired after December 31, 1983 are automatically covered by the Federal Employee's Retirement System (FERS) and Social Security. As of September 30, 2019 and 2018, the Fund contributed 13.7 and 13.7 percent of base pay for the FERS basic benefit, respectively. A primary feature of FERS is that it offers a savings plan to which the Fund automatically contributes 1 percent of base pay and matches employee contributions up to an additional 4 percent of base pay. The Fund also contributes the employer's Social Security matching share for FERS participants.

The Fund is not responsible for administering either CSRS or FERS. Therefore, the Fund does not report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to Fund employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Note 1. Significant Accounting Policies (continued)

Similar to CSRS and FERS, OPM, rather than the Fund, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLI). The Fund does not contribute funds for the cost to provide health benefits and life insurance to its retirees.

The estimated cost of providing CSRS and FERS retirement and FEHBP and FEGLI benefits to retirees is more than the amounts contributed by the Fund and its employees.

Federal entities are required to report the full cost of providing retirement benefits to include the cost financed by OPM. The difference between the estimated cost and the employer and employee contributions for these programs is included as an expense and as an imputed financing source in the Fund's financial statements.

I. Revenues, Financing Sources and Imputed Financing Sources

The Fund receives the majority of funding needed to support its programs through revenue earned from providing services. Revenue from reimbursable agreements is recognized when services have been rendered. Additional funding is obtained through transfers in without reimbursement when another agency transfers a business activity into the Fund. These transfers are recognized as budgetary financing sources.

When costs that are identifiable to the Fund and directly attributable to the Fund's operations are paid for by other agencies, the Fund recognizes these amounts as imputed costs and financing sources. The Fund recognizes as an imputed financing source, the amount of pension and post-retirement benefit expense for current employees paid on behalf of the Fund by OPM, as well as amounts paid from the Department of Treasury Judgment Fund in settlement of claims, legal settlements, or court assessments.

J. Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

K. Tax Status

The Fund, as a Federal agency, is not subject to Federal, state, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

L. Reclassification

Certain fiscal year 2018 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

Note 2. Fund Balance with Treasury

Fund Balance

As of September 30, 2019 and 2018, fund balances consisted of revolving funds of $396,104,912 and $334,287,806 respectively.

Status of Fund Balance

As of September 30, 2019 and 2018, the status of fund balance with Treasury consisted of the following:

	2019	2018
Unobligated Balance Available	$209,304,473	$196,219,470
Net obligated balance not yet disbursed	186,800,439	138,068,336
Total	$396,104,912	$334,287,806

The net obligated balance not yet disbursed represents amounts designated for payment of goods and services ordered but not received, and goods and services received but for which payment has not yet been made offset by uncollected customer payments from Federal sources.

Note 3. Accounts Receivable

Components of accounts receivable as of September 30, 2019 and 2018, were as follows:

	2019	2018
Intragovernmental	$ 231,526	$ 12,985,615
With the public (net)	55,859	602,283
Total accounts receivable, net	$ 287,385	$ 13,587,898

Intragovernmental accounts receivable arises from the provision of services to other Federal agencies. Accounts receivable from public sources consist of administrative receivables from employees which have been billed or accrued and remain uncollected as of year-end. All outstanding balances are considered to be collectible, therefore, no allowance for doubtful accounts is deemed necessary.

Note 4. Property and Equipment, Net

Property and equipment as of September 30, 2019 and 2018 consisted of the following:

	2019			
	Service Life (in years)	Cost	Accumulated Depreciation	Net Book Value
Construction in progress	N/A	$ 5,577,106	$ -	$ 5,577,106
Internal-use software in development	N/A	5,045,958	-	5,045,958
Internal-use software	4-5	37,662,513	29,488,447	8,174,066
Equipment	4-5	76,431,253	51,967,881	24,463,372
Total		$124,716,830	$ 81,456,328	$ 43,260,502

	2018			
	Service Life (in years)	Cost	Accumulated Depreciation	Net Book Value
Construction in progress	N/A	$ 8,264,893	$ -	$ 8,264,893
Internal-use software in development	N/A	4,429,295	-	4,429,295
Internal-use software	4-5	45,633,064	34,300,177	11,332,887
Equipment	4-5	78,042,538	50,123,886	27,918,652
Total		$136,369,790	$ 84,424,063	$ 51,945,727

Construction in progress and internal-use software in development represents actual (direct) costs and other indirect costs incurred for various information technology equipment construction and software development projects not yet placed in service. The indirect costs consist of overhead on the Fund's direct costs associated with the projects.

Note 5. Other Assets

Other assets are comprised of advances and prepayments. Beginning in FY 2014, the former Working Capital Fund (WCF) no longer services the Fund. These services are now shared services are within the Fund and do not comprise of advances and prepayments as such in the previous fiscal years within the WCF model. As of September 30, 2019 and 2018 Other Assets consisted of the following:

	2019	2018
Intragovernmental	$ -	$ -
With the public	-	241
Total	$ -	$ 241

Note 6. Other Liabilities

Other liabilities as of September 30, 2019 and 2018 consisted of the following:

	2019	2018
Intragovernmental		
Accrued employee benefits	$ 2,125,787	$ 1,681,730
With the public		
Accrued payroll and employee benefits	7,271,597	5,594,556
Accrued leave	14,073,622	11,647,381
Total with the public	21,345,219	17,241,937
Total other liabilities	$ 23,471,006	$ 18,923,667

Accrued payroll and employee benefits represent salaries and benefit expenses incurred but not paid. Accrued annual leave represents the current value of unpaid annual, restored annual and compensatory leave. The annual leave liability for the Fund is required to be funded, thus budgetary resources have been set aside to cover payments related to the liability. All liability balances were currently due.

Note 7. Commitments and Contingencies

There are no contingencies that require disclosure.

Note 8. Invested Capital

In FY 2014, invested capital consists of the transfer of the Working Capital Fund to the Treasury Franchise Fund. The transfer of $81.5M includes capital assets and obligations due to vendors.

Invested Capital also includes a transferred appropriation from the Department of Treasury and members' initial investments into the Fund. During fiscal year 2012, the Fund received additional invested capital of $25.3M resulting from the transfer of information technology assets from the FMS to the Fund in conjunction with the data center consolidation.

During FY 2011, invested capital of approximately $11.2M consists of the decision made by the Bureau of Public Debt to move the Office of Information Technology into the Fund.

Note 9. Gross Costs

As of September 30, 2019, and 2018 costs by major budgetary object classification are as follows:

	2019	2018
Personnel and benefits	$242,600,390	$208,681,149
Travel and transportation	1,536,849	1,404,053
Rents, communications and utilities	93,531,487	60,537,068
Contractual services	256,639,642	240,095,793
Supplies and materials	4,213,121	1,217,919
Equipment	39,239,909	34,207,007
Miscellaneous	143,836	86,916
Total	$637,905,234	$546,229,905

Note 10. Program Costs and Earned Revenue

Intragovernmental costs and exchange revenue for the years ended September 30, 2019 and 2018 consisted of the following:

	2019	2018
Intragovernmental Costs	$197,258,579	$145,742,766
Public Costs	440,646,655	400,487,139
Total Program Costs	637,905,234	546,229,905
Intragovernmental Earned Revenue	(660,993,538)	(569,660,067)
Public Revenue	(7,804)	(175)
Net Cost of Operations	$ (23,096,108)	$ (23,430,337)

Program costs and earned revenue are classified according to the source of goods and services purchased by the reporting entity. The intragovernmental category represents costs incurred to or revenue earned from other Federal entities while the public category captures costs incurred to or revenue earned from non-Federal entities. The purpose of this classification is to enable the Federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

Note 11. Inter-Entity Costs

The Fund has imputed financing costs of $15,037,532 and $13,058,835 with the Office of Personnel Management for the years ended September 30, 2019 and 2018, respectively relating to post retirement benefits.

Note 12. Explanation of Differences between SBR and the Budget of the U.S. Government

Apportionment Categories of Obligations Incurred

Obligations incurred as reported on the Statement of Budgetary Resources for the years ended September 30, 2019 and 2018 consisted exclusively of Category B reimbursable obligations of $727,304,811 and $589,729,878, respectively.

Apportionment categories are determined in accordance with the guidance provided in OMB Circular A-11, *Preparation, Submission and Execution of the Budget.* Category B represents resources apportioned for time periods other than calendar quarters; for activities, projects, or objectives; or for any combination thereof. The Fund only has Category B apportionments.

Adjustments to Beginning Balance of Budgetary Resources

Adjustments to budgetary resources available at the beginning of fiscal years 2019 and 2018 consisted of recoveries of prior year unpaid obligations of $8,002,134 and $8,540,800 respectively.

Differences Between the Statement of Budgetary Resources and the Budget of the United States

The fiscal year 2020 *Budget of the United States Government* (also known as the President's Budget) with actual numbers for fiscal year 2018, was not published at the time these financial statements were issued. The President's Budget is expected to be published in February 2020.

The following chart displays that there were no differences between the fiscal year 2018 Statement of Budgetary Resources and the actual fiscal year 2018 balances included in the fiscal year 2020 President's Budget (Appendix).

	Amounts in Millions			
	Budgetary Resources	Obligations Incurred	Offsetting Receipts	Net Outlays
Statement of budgetary resources	$ 786	$ 590	$ 597	$ 35
President's budget	$ 786	$ 590	$ 597	$ 35

Note 13. Undelivered Orders

Undelivered Orders at the End of the Period

Undelivered orders as of September 30, 2019 and 2018 were $173,916,489 and $127,203,648 respectively.

Note 14. Budget and Accrual Reconciliation

The reconciliation of net cost of operations to budget for the years ended September 30, 2019 and 2018 is as follows:

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ (23,096,108)	$ -	$ (23,096,108)
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation		(13,441,833)	(13,441,833)
Property, plant, and equipment disposal & reevaluation	-	-	-
Unrealized valuation loss/(gain) on investments in GSE's		-	-
Year-end credit reform subsidy re-estimates	-	-	-
Other	-	-	-
(Increase)/Decrease in assets not affecting Budget Outlays:			
Accounts receivable	(12,754,089)	(546,424)	(13,300,513)
Loans receivable		-	-
Other assets	-	(241)	(241)
Investments	-	-	-
(Increase)/Decrease in liabilities not affecting Budget Outlays:			
Accounts payable	311,682	1,562,150	1,873,832
Salaries and benefits	(444,085)	(4,099,385)	(4,543,470)
Insurance and guarantee program liabilities		-	-
Environmental and disposal liabilities		-	-
Other liabilities	27	(3,896)	(3,869)
Other financing sources:			
Imputed federal employee retirement benefit costs	(15,037,533)		(15,037,533)
Transfers out (in) without reimbursement	-		-
Other imputed finance	-	-	-
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (27,923,998)	$ (16,529,629)	$ (44,453,627)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	-	5,732,502	5,732,502
Acquisition of inventory	-	-	-
Acquisition of other assets	-	-	-
Debt and equity securities			-
Other	125	-	125
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ 125	$ 5,732,502	$ 5,732,627
Other Temporary Timing Differences	-	-	-
Net Outlays (Calculated Total)	$ (51,019,981)	$ (10,797,127)	$ (61,817,108)
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			(61,817,107)
Distributed offsetting receipts (SBR 4200)			(153)
Outlays, Net (SBR 4210)			$ (61,817,260)