

**Federal Trade Commission
Office of Inspector General**



**Financial Statement Audit
For Fiscal Year 2014**

OIG Assignment No. 15-01

November 17, 2014



Office of Inspector General

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

November 17, 2014

The Commissioners
Federal Trade Commission

I am pleased to provide you with the attached audit report required by the Accountability of Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Trade Commission (FTC)'s FY 2014 financial statements. We commend the FTC for the noteworthy accomplishment of attaining an unmodified (clean) opinion for the 18th consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs, PLLC (Brown & Company) to audit the financial statements of the Federal Trade Commission (FTC) as of September 30, 2014 and 2013, and for the years then ended. The contract required that the audit be performed in accordance with the *Government Auditing Standards* and Office of Management and Budget requirements.

In its audit, Brown & Company found:

- The financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles,
- No material weaknesses in the FTC's internal control over financial reporting, and
- No reportable noncompliance with applicable provisions of laws and regulations.

Brown & Company is responsible for the attached independent auditor's reports, dated November 13, 2014, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the FTC's financial statements or Brown & Company's conclusions about the FTC's internal control over financial reporting or compliance with applicable provisions of laws and regulations.

We appreciate the cooperation given Brown & Company and my office during the audit. Should you have any questions concerning this report, please contact me at (202) 326-2800.

Sincerely,

Kelly Tshibaka
Acting Inspector General

Enclosure



INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying balance sheet of the Federal Trade Commission (FTC) as of September 30, 2014 and 2013, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended (collectively referred to as the financial statements), and the related notes to 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 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit 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 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 on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FTC as of September 30, 2014 and 2013, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered FTC's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control. Accordingly, we do not express an opinion on the effectiveness of FTC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether FTC's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

FTC's management is responsible for (1) evaluating effectiveness of internal control based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, and (3) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

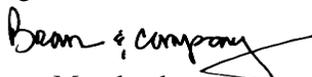
We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to FTC. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to FTC's financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of FTC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FTC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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



Largo, Maryland
November 13, 2014

**Federal Trade Commission's (FTC) Financial Statements for
Fiscal Years 2014 and 2013**

(Extracted from FTC's Fiscal Year 2014 Annual Financial Report)

FEDERAL TRADE COMMISSION
 BALANCE SHEET
 AS OF SEPTEMBER 30, 2014 AND 2013
 (DOLLARS IN THOUSANDS)

	2014	2013
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	\$ 238,443	\$ 206,638
Accounts receivable, net (Note 5)	6	47
Total intragovernmental	238,449	206,685
Cash and other monetary assets (Note 4)	28,797	18,239
Accounts receivable, net (Note 5)	65,447	24,791
General property and equipment, net (Note 6)	64,247	22,042
Total Assets	\$ 396,940	\$ 271,757
Liabilities (Note 7):		
Intragovernmental:		
Accounts payable	\$ 823	\$ 1,555
Other (Note 8)	4,427	2,314
Total intragovernmental	5,250	3,869
Accounts payable	10,805	8,591
Accrued consumer redress due to claimants	62,776	23,693
Undisbursed redress collections	133,888	65,848
Other (Note 8)	16,089	17,265
Total Liabilities	\$ 228,808	\$ 119,266
Net Position (Note 1(o)):		
Unexpended appropriations	-	-
Cumulative results of operations	168,132	152,491
Total Net Position	\$ 168,132	\$ 152,491
Total Liabilities and Net Position	\$ 396,940	\$ 271,757

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
 STATEMENT OF NET COST
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
 (DOLLARS IN THOUSANDS)

	2014	2013
Costs by Strategic Goal:		
Strategic Goal 1: Protect Consumers:		
Gross costs (Note 11)	\$ 170,494	\$ 165,566
Less: earned revenue (Note 11)	(13,521)	(14,118)
Net cost	156,973	151,448
Strategic Goal 2: Maintain Competition:		
Gross costs (Note 11)	124,479	122,375
Less: earned revenue (Note 11)	(106,477)	(81,693)
Net cost	18,002	40,682
Net Cost of Operations	\$ 174,975	\$ 192,130

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
 STATEMENT OF CHANGES IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
 (DOLLARS IN THOUSANDS)

	2014	2013
Cumulative Results of Operations:		
Beginning balance	\$ 152,491	\$ 128,754
Budgetary Financing Sources:		
Appropriations used	181,182	206,660
Other Financing Sources (Non-Exchange):		
Imputed financing	9,434	9,207
Total financing sources	190,616	215,867
Net cost of operations	(174,975)	(192,130)
Net change	15,641	23,737
Cumulative Results of Operations	\$ 168,132	\$ 152,491
Unexpended Appropriations:		
Beginning balance	\$ -	\$ -
Budgetary Financing Sources:		
Appropriations received	181,182	216,249
Other adjustments (rescissions)	-	(9,589)
Appropriations used	(181,182)	(206,660)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Net Position (Note 1(o))	\$ 168,132	\$ 152,491

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
 STATEMENT OF BUDGETARY RESOURCES
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
 (DOLLARS IN THOUSANDS)

	2014	2013
Budgetary Resources:		
Unobligated balance, brought forward, October 1	\$ 57,159	\$ 57,778
Recoveries of prior year unpaid obligations	6,519	2,999
Unobligated balance from prior year budget authority, net	63,678	60,777
Appropriations	181,182	206,660
Spending authority from offsetting collections	116,725	89,420
Total Budgetary Resources	\$ 361,585	\$ 356,857
Status of Budgetary Resources:		
Obligations incurred (Note 12):	\$ 334,138	\$ 299,698
Unobligated balance, end of period:		
Apportioned	23,893	52,778
Unapportioned	3,554	4,381
Total unobligated balance, end of period	27,447	57,159
Total Status of Budgetary Resources	\$ 361,585	\$ 356,857
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	\$ 96,445	\$ 79,576
Obligations incurred (Note 12):	334,138	299,698
Outlays, gross	(327,440)	(279,830)
Recoveries of prior year unpaid obligations	(6,519)	(2,999)
Unpaid obligations, end of period	96,624	96,445
Uncollected Payments:		
Uncollected payments from Federal sources, brought forward, October 1	(1,297)	(1,098)
Change in uncollected payments from Federal sources, brought forward, October 1	552	(199)
Uncollected payments from Federal sources, end of period	(745)	(1,297)
Memorandum (non-add) Entries:		
Obligated balance, start of year, net	95,147	78,478
Obligated balance, end of period, net	\$ 95,877	\$ 95,147
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 297,907	\$ 302,530
Actual offsetting collections	(120,239)	(95,671)
Change in uncollected customer payments from Federal sources	552	(199)
Budget authority, net	\$ 178,220	\$ 206,660
Outlays, gross	\$ 327,440	\$ 279,830
Actual offsetting collections	(120,239)	(95,671)
Outlays, net	207,201	184,159
Distributed offsetting receipts	(16,398)	(14,645)
Agency outlays, net	\$ 190,803	\$ 169,514

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
 STATEMENT OF CUSTODIAL ACTIVITY
 FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
 (DOLLARS IN THOUSANDS)

	Protect Consumers	Maintain Competition	2014	2013
Revenue Activity (Note 15):				
Sources of collections:				
Premerger filing fees (net of refunds)	\$ -	\$ 106,263	\$ 106,263	\$ 81,202
Civil penalties and fines	11,802	-	11,802	42,545
Consumer redress (Note 16)	16,157	-	16,157	14,518
Other miscellaneous receipts	240	-	240	127
Total cash collections	28,199	106,263	134,462	138,392
Accrual adjustments	1,567	-	1,567	(2,675)
Total Custodial Revenue	\$ 29,766	\$ 106,263	\$ 136,029	\$ 135,717
Disposition of Collections (Note 15):				
Transferred to others:				
Treasury general fund	\$ 28,199	\$ -	\$ 28,199	\$ 57,190
Department of Justice	-	106,263	106,263	81,202
Increase/(decrease) in amounts yet to be transferred	1,567	-	1,567	(2,675)
Total Disposition of Collections	\$ 29,766	\$ 106,263	\$ 136,029	\$ 135,717
Net Custodial Activity	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

(a) REPORTING ENTITY

The Federal Trade Commission (FTC) is an independent agency of the U.S. Government, established by the Federal Trade Commission Act of 1914. The FTC enforces a variety of federal antitrust and consumer protection laws. Its mission is working to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity. The FTC is headed by five Commissioners, nominated by the President and confirmed by the Senate, each serving a seven-year term. The President chooses one Commissioner to act as Chair.

The FTC carries out its mission of protecting consumers and maintaining competition through three bureaus: The Bureau of Consumer Protection (BCP), the Bureau of Competition (BC), and the Bureau of Economics (BE), which supports the BCP and BC. Additionally, various offices within FTC provide mission support to the bureaus. The FTC's staff is located in Washington D.C. and seven other geographic areas.

The financial statements and notes include the financial activity recorded in all of the funds under the FTC's control. As further described in Note 1(b), these funds include appropriations received for salaries and necessary expenses, as well as non-entity funds that are primarily proceeds derived from court ordered judgments and settlements held for subsequent distribution to approved claimants.

(b) FUND ACCOUNTING STRUCTURE

The FTC, like other Federal agencies, uses various Treasury Account Symbols (TAS) to record and track financial activity. These TAS are described below:

General Fund

Salaries and Expenses (TAS 29X0100): This account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, each year to fund the necessary expenses of the agency. Offsetting collections include the fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, and the collections for the National DNC Registry, which operates under Section 5 of the FTC Act. Collections in excess of Congressional limits are unavailable by law and included in FTC's unavailable – temporary reduction balance. (See Note 3, Fund Balance with Treasury.)

Deposit Fund

Consumer Redress Escrow (TAS 29X6013): This account consists of amounts collected under the consumer redress program and held temporarily by FTC until money is distributed to consumers (or to a third party agent that distributes money to consumers on FTC's behalf), or transferred to the general fund of the Treasury. These funds, which are considered non-entity funds, do not affect the FTC's Net Position and are not reported on the Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 16, Consumer Redress Activities.)

Clearing/suspense Fund

Budget Clearing and Suspense (TAS 29F3875): Fees collected for premerger notification filings under the HSR Act are deposited, initially, into the Budget Clearing and Suspense account, then distributed equally to the FTC (as an offsetting collection in the general fund) and the Department of Justice (DOJ). (See Note 1(p), Revenues and Other Financing Sources.)

Receipt Accounts

Fines, Penalties, and Forfeitures, Customs, Commerce, and Antitrust Laws (TAS 29 1040): Collections of civil penalties imposed in court actions for violations of antitrust acts and FTC orders are deposited

into this account. Penalties imposed, but not yet collected, are accrued as accounts receivable and recorded in this account. The cash balance in the fund at the end of the fiscal year is transferred to the general fund of the Treasury.

General Fund Proprietary Receipts (TAS 29 3220):

Miscellaneous receipts that by law are not available for the FTC's use, and collections in connection with the consumer redress program for which redress to consumers is not practicable are held in this account until the end of the fiscal year when they are transferred to the general fund of the Treasury.

(c) BASIS OF PRESENTATION AND ACCOUNTING

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the FTC. They have been prepared from the accounting records of the FTC. These financial statements may differ from other financial reports submitted pursuant to the Office of Management and Budget (OMB) directives for the purpose of monitoring and controlling the use of the FTC's budgetary resources.

The FTC's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) for Federal entities and with OMB Circular A-136, Financial Reporting Requirements (as revised September 2014). Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities.

As described in Note 1(b), the FTC maintains a single fund to account for salaries and all necessary expenses. Further, there are limited intra-entity transactions with any other fund (e.g., deposit fund) that would require eliminating entries to present consolidated statements. Accordingly, the statements are not labeled consolidated nor is the Statement of Budgetary Resources (SBR) presented as combined.

Assets, liabilities, revenues and costs are classified in these financial statements according to the type of entity associated with the transactions. Balances

classified as intragovernmental arise from transactions with other Federal entities. Balances not classified as intragovernmental arise from transactions with individuals or organizations outside of the Federal Government (i.e., with the Public).

The FTC presents net cost of operations by its two major strategic goals: protect consumers and maintain competition. These goals are described in the agency's strategic and performance plan and align with the agency's major programs.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, estimates are used in computing accounts payable for vendor service contracts, the allowance for uncollectable accounts, and the allocation of costs to strategic goals in the Statement of Net Cost. Actual results could differ from the estimated amounts.

(e) BUDGET AUTHORITY

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out mandated program activities. These funds are available until expended, subject to the OMB apportionment and to Congressional restrictions on the expenditure of funds. In addition, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. The FTC's budget authority is derived from a direct appropriation and offsetting collections. FTC accounts for budget authority in its general fund (29X0100), as reflected in the Statement of Budgetary Resources.

(f) ENTITY AND NON-ENTITY ASSETS

The FTC accounts for and reports on both entity and non-entity assets in the financial statements. Assets that the agency is authorized to use in its operations are entity assets. Assets that the agency holds on behalf of another federal agency or a third party and are not available for the agency's use are non-entity assets. Non-entity assets include collections and accounts receivable

that arise from court-ordered judgments for monetary relief in the consumer redress program, civil monetary penalties, and the portion of fees collected for premerger notification filings that are distributed to the DOJ in a subsequent period. These non-entity assets are included in the financial statements along with an offsetting non-entity liability of equal amount. (See Note 2, Entity and Non-Entity Assets.)

(g) FUND BALANCE WITH TREASURY

The fund balance with Treasury (FBWT) is the aggregate amount of undisbursed funds in the FTC's general fund, deposit fund, and clearing/suspense fund. General funds include a portion that is available to the FTC to make expenditures and pay liabilities, and a portion that is unavailable. Deposit funds and clearing/suspense fund balances are non-entity funds that are temporarily held by the FTC until transferred to another Federal agency (Treasury or DOJ), or distributed to a third party. Fund balances are carried forward into subsequent fiscal years until disbursements are made. (See Note 3, Fund Balance with Treasury.)

(h) CASH AND OTHER MONETARY ASSETS

In connection with the consumer redress program (and described in Note 16), amounts necessary to cover current disbursement schedules are transferred from the FTC's deposit fund to third-party redress administrators to be held as cash in interest bearing financial institutions. Upon approval by the FTC's Redress Administration Office, the redress administrators process claims and disburse redress proceeds to affected consumers and approved claimants. The cash held in these financial institutions is included in the FTC's financial statements as a non-entity asset. (See Note 4, Cash and Other Monetary Assets.)

(i) ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of allowances reflect the Federal Accounting Standards Advisory Board (FASAB) standard for the recognition of losses using the collection criterion of "more likely than not." This criterion results in receivable balances that are more conservatively stated than those valued by the private sector under GAAP. FASAB states that it is appropriate to recognize the nature of federal receivables, which, unlike trade accounts of private firms or loans made by banks, are not created through credit screening procedures. Rather, these

receivables arise because of the assessment of fines from regulatory violations. In these circumstances, historical experience and economic realities indicate that these types of claims are frequently not fully collectible.

The method used to estimate the allowance for uncollectible accounts consists of individual case analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment record, and the probable recovery amount including the value of assets. Based on the status of litigation and collection status, cases are referred to the Treasury for collection action.

(j) ACCRUED LIABILITIES AND ACCOUNTS PAYABLE

Accrued liabilities and accounts payable represent a probable future outflow or other sacrifice of resources because of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. FTC has liabilities that are entity and non-entity. Entity liabilities cannot be liquidated without legislation that provides the resources to do so. In addition, the government, acting in its sovereign capacity, can abrogate the FTC liabilities (other than contracts). (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources.)

(k) EMPLOYEE HEALTH BENEFITS AND LIFE INSURANCE

FTC employees are eligible to participate in the contributory Federal Employees' Health Benefit Program (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) administered by the Office of Personnel Management (OPM). The FTC contributes a percentage to each program to pay for current benefits.

(l) EMPLOYEE RETIREMENT BENEFITS

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) administered by OPM. Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984 were allowed to elect joining FERS or remaining in CSRS. For employees participating in CSRS, the FTC contributes seven percent of the employee's basic pay to the Civil Service

Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 11.9 percent to the Federal Employees' Retirement Fund. In addition, the FTC contributes the employer's matching share to the Social Security Administration under the Federal Insurance Contributions Act, which fully covers FERS participating employees. FTC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. Participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar set by law. For those employees participating in FERS, the FTC makes a mandatory one percent contribution to this plan and in addition, matches 100 percent of the first three percent contributed and 50 percent of the next two percent. CSRS participating employees do not receive a matching contribution from the FTC. FTC contributions to the TSP are recognized as current operating expenses.

The FTC does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. OPM reports this information. However, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered using cost factors provided by OPM that estimate the true service cost of providing the pension benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost. This additional cost is financed by OPM, and recognized as an imputed financing source by FTC.

(m) FECA AND OTHER POST-EMPLOYMENT BENEFITS

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) provides income and medical cost protection to covered federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL bills FTC annually for the claims paid and FTC recognizes the FECA liability for future payment. Payment is deferred for two

years to allow for funding through the budget. FTC also recognizes a FECA actuarial liability, which is an estimate for the future workers compensation as a result of past events using procedures developed by DOL to estimate the liability. FECA liabilities are reported as not covered by budgetary resources. (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources.)

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The FTC recognizes a current cost of providing post-retirement benefits using cost factors provided by OPM that estimate the true cost of providing these benefit to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by OPM, and recognized as an imputed financing source by FTC.

(n) ANNUAL AND SICK LEAVE

The FTC accrues an annual leave liability when employees earn leave and reduces the liability when employees take leave. The balance in this account reflects the current leave balances and pay rates of FTC employees. Budget execution rules do not allow this liability to be funded as earned. It is funded when taken or when paid out as a lump sum at the end of employment. As a result, accrued leave is reported as not covered by budgetary resources. Sick leave is non-vested and expensed as used. (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources.)

(o) NET POSITION

Cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior period adjustments, the remaining book value of capitalized assets, and future funding requirements.

The portion of the FTC's budget authority that is funded by a direct appropriation is fully expended during the year. Therefore, there is no unexpended appropriation balance in net position at the end of the year. (See Statement of Changes in Net Position.)

(p) REVENUES AND OTHER FINANCING SOURCES

The FTC's activities are financed through exchange revenue it receives from others and through an appropriation provided by the Congress. Exchange revenues consist of fees collected for premerger notification filings under the HSR Act and collections for the National Do Not Call Registry. Additionally, exchange revenues include a small amount of reimbursements for services performed under inter-agency agreements.

(q) METHODOLOGY FOR ASSIGNING COSTS AND EXCHANGE REVENUES

The FTC allocates costs and exchange revenues, on the Statement of Net Cost to its two major strategic goals: protect consumers and maintain competition. Costs and exchange revenues that are identified specifically with each of these two strategic goals are charged or credited directly. Costs not directly attributable to these two goals, including costs related to the FTC's third goal, Advance Performance, are allocated based on the percentage of direct full-time equivalents used by each of these two goals.

NOTE 2—ENTITY AND NON-ENTITY ASSETS

The FTC's entity assets are comprised of undisbursed General funds, accounts receivable, and property and equipment. Accounts receivable, net, represents amounts due from other federal agencies, current and former employees, and vendors.

The FTC's non-entity assets are comprised of fund balances with Treasury, accounts receivable, and cash and other monetary assets. The fund balances with Treasury

consists of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees that are held in clearing/suspense funds that will be transferred to DOJ in a subsequent period. Cash and other monetary assets is cash held in financial institutions to meet current disbursement schedules for the consumer redress program. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

Entity and non-entity assets consisted of the following as of September 30, 2014:

(Dollars in thousands)	2014 Entity	2014 Non-Entity	2014 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	\$ 132,737	\$ -	\$ 132,737
Deposit funds - consumer redress	-	105,091	105,091
Clearing/Suspense funds - premerger filing fees	-	615	615
Accounts receivable, net	6	-	6
Subtotal intragovernmental assets	\$ 132,743	\$ 105,706	\$ 238,449
Cash and other monetary assets	-	28,797	28,797
Accounts receivable, net	54	65,393	65,447
General property and equipment, net	64,247	-	64,247
Total Assets	\$ 197,044	\$ 199,896	\$ 396,940

Entity and non-entity assets consisted of the following as of September 30, 2013:

(Dollars in thousands)	2013 Entity	2013 Non-Entity	2013 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	\$ 158,756	\$ -	\$ 158,756
Deposit funds - consumer redress	-	47,609	47,609
Clearing/Suspense funds - premerger filing fees	137	136	273
Accounts receivable, net	47	-	47
Subtotal intragovernmental assets	\$ 158,940	\$ 47,745	\$ 206,685
Cash and other monetary assets	-	18,239	18,239
Accounts receivable, net	48	24,743	24,791
General property and equipment, net	22,042	-	22,042
Total Assets	\$ 181,030	\$ 90,727	\$ 271,757

NOTE 3—FUND BALANCE WITH TREASURY

The FTC's fund balance with Treasury consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as deposit funds arising from amounts collected for consumer redress and not yet disbursed to claimants. The fund balance also includes clearing/suspense funds for collections of premerger filing fees that will be distributed to the DOJ in a

subsequent period. The unobligated balance includes available and unavailable balances. The available balance consists of \$15,015 thousand allocated for space replacement and the relocation of staff to Constitution Center and \$8,878 thousand from operations. The unavailable balance is the result of prior year recoveries that exceeded anticipated and apportioned amounts, the collection of fees (\$2,963 thousand) above the authorized amount to spend in the current year, and \$6,450 thousand of sequestered funds from FY 2013.

Fund balance with Treasury consisted of the following as of September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Fund Balance with Treasury:		
General funds	\$ 132,737	\$ 158,756
Deposit funds - consumer redress	105,091	47,609
Clearing/suspense funds - premerger filing fees	615	273
Total Fund Balance with Treasury	\$ 238,443	\$ 206,638
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	\$ 23,893	\$ 52,778
Unavailable - unapportioned	3,554	4,381
Unavailable - temporary reduction	9,413	6,450
Obligated balance not yet disbursed	95,877	95,147
Non-budgetary Fund Balance with Treasury		
Deposit funds - consumer redress	105,091	47,609
Clearing/suspense funds - premerger filing fees	615	273
Total Status of Fund Balance with Treasury	\$ 238,443	\$ 206,638

The FTC's fund balance with Treasury, as reflected in the entity's general ledger and the Treasury account balances have no material discrepancies.

NOTE 4—CASH AND OTHER MONETARY ASSETS

Cash and other monetary assets consists of cash in financial institutions necessary to cover current

disbursement schedules in connection with the consumer redress program. (See Note 1(h), Cash and Other Monetary Assets and Note 16, Consumer Redress Activities.)

Cash and other monetary assets consisted of the following as of September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Cash and Other Monetary Assets:		
Consumer redress funds held in financial institutions	\$ 28,797	\$ 18,239
Total Cash and Other Monetary Assets	\$ 28,797	\$ 18,239

NOTE 5—ACCOUNTS RECEIVABLE, NET

The bulk of the FTC's accounts receivable are non-entity accounts receivable arising from the settlement or litigation of administrative and federal court cases in connection with the consumer redress program, and from civil monetary penalties imposed for violation of an FTC order. Because of the nature of these receivables, they are

frequently not fully collectible and are offset with a large allowance. The allowance for uncollectible accounts is based on individual case analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment record, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with an offsetting non-entity liability.

Accounts receivable, net consisted of the following as of September 30, 2014:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2014 Net
Entity Accounts Receivable:			
Intragovernmental	\$ 6	\$ -	\$ 6
With the public	54	-	54
Total entity accounts receivable	\$ 60	\$ -	\$ 60
Non-Entity Accounts Receivable:			
Consumer redress	\$ 1,178,746	\$ 1,115,970	\$ 62,776
Civil penalties	32,912	30,295	2,617
Total non-entity accounts receivable	\$ 1,211,658	\$ 1,146,265	\$ 65,393
Total Accounts Receivable	\$ 1,211,718	\$ 1,146,265	\$ 65,453

Accounts receivable, net consisted of the following as of September 30, 2013:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2013 Net
Entity Accounts Receivable:			
Intragovernmental	\$ 47	\$ -	\$ 47
With the public	48	-	48
Total entity accounts receivable	\$ 95	\$ -	\$ 95
Non-Entity Accounts Receivable:			
Consumer redress	\$ 994,781	\$ 971,088	\$ 23,693
Civil penalties	31,345	30,295	1,050
Total non-entity accounts receivable	\$ 1,026,126	\$ 1,001,383	\$ 24,743
Total Accounts Receivable	\$ 1,026,221	\$ 1,001,383	\$ 24,838

NOTE 6—GENERAL PROPERTY AND EQUIPMENT, NET

The FTC's property and equipment consists of general-purpose equipment used by the agency and capital improvements made to buildings leased by the FTC for office space and software. The FTC reports property and equipment at historical cost and capitalizes items with an initial cost of \$100 thousand or greater and a useful life of over two years. Property and equipment that meets these criteria is depreciated or amortized using the straight-line method over the estimated useful life of

the asset. Leasehold improvements are amortized over 15 years as all leasehold improvements are in General Services Administration (GSA) leased space and FTC has no intent of vacating its' current space. Additionally, assets under development, such as internal use software and leasehold improvements with an estimated aggregate cost of over \$100 thousand are capitalized and then amortized once complete and placed into service. Normal repairs and maintenance, and property and equipment that does not meet the capitalization criteria, is recognized as an expense in the current period.

General property and equipment, net consisted of the following as of September 30, 2014:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 yrs.	\$ 19,340	\$ 3,157	\$ 16,183
Leasehold improvements	15 yrs	44,978	5,561	39,417
Software	5 yrs.	21,376	12,729	8,647
Total General Property and Equipment		\$ 85,694	\$ 21,447	\$ 64,247

General property and equipment, net consisted of the following as of September 30, 2013:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 yrs.	\$ 10,356	\$ 4,779	\$ 5,577
Leasehold improvements	15 yrs	16,079	6,638	9,441
Software	5 yrs.	20,067	13,043	7,024
Total General Property and Equipment		\$ 46,502	\$ 24,460	\$ 22,042

NOTE 7—LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

FTC recognizes three categories of liabilities described below:

LIABILITIES COVERED BY BUDGETARY RESOURCES

Liabilities incurred that will be covered by available budgetary resources as of the Balance Sheet date. These include accounts payable for goods and services received, and accrued employee payroll and benefits payable.

LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through congressional appropriations or current earnings. These include unfunded FECA liabilities and accrued annual leave.

LIABILITIES NOT REQUIRING BUDGETARY RESOURCES

Non-entity liabilities that are covered by non-entity assets. These include:

Undisbursed Premerger Filing Fees - the offsetting liability to the non-entity clearing/suspense fund balance for premerger fees that are payable to DOJ in a subsequent period.

Accrued Civil Penalties due to Treasury - the offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the general fund of the Treasury.

Undisbursed Redress Collections - the offsetting liability to the non-entity deposit fund balance for consumer redress that is payable to approved claimants.

Accrued Redress due to Claimants - the offsetting liability to the non-entity accounts receivable for consumer redress that upon collection will be payable to approved claimants.

Liabilities consist of the following as of September 30, 2014 and 2013:

(Dollars in thousands)	2014 Covered by Budgetary Resources	2014 Not Covered by Budgetary Resources	2014 Not Requiring Budgetary Resources	2014 Total Liabilities	2013 Covered by Budgetary Resources	2013 Not Covered by Budgetary Resources	2013 Not Requiring Budgetary Resources	2013 Total Liabilities
Intragovernmental:								
Accounts payable	\$ 823	\$ -	\$ -	\$ 823	\$ 1,555	\$ -	\$ -	\$ 1,555
Accrued employee benefits	830	-	-	830	732	-	-	732
FECA liability	-	365	-	365	-	394	-	394
Other employment related liability	-	-	-	-	-	2	-	2
Undisbursed premerger filing fees	-	-	615	615	-	-	136	136
Accrued civil penalties due to Treasury	-	-	2,617	2,617	-	-	1,050	1,050
Total intragovernmental liabilities	\$ 1,653	\$ 365	\$ 3,232	\$ 5,250	\$ 2,287	\$ 396	\$ 1,186	\$ 3,869
Accounts payable	10,805	-	-	10,805	8,591	-	-	8,591
Reimbursable advances	45	-	-	45	-	-	-	-
Accrued payroll and benefits	4,105	-	-	4,105	3,626	-	-	3,626
Accrued leave	-	9,737	-	9,737	-	11,385	-	11,385
Actuarial FECA	-	2,202	-	2,202	-	2,254	-	2,254
Undisbursed redress collections	-	-	133,888	133,888	-	-	65,848	65,848
Accrued redress due to claimants	-	-	62,776	62,776	-	-	23,693	23,693
Total liabilities	\$ 16,608	\$ 12,304	\$ 199,896	\$ 228,808	\$ 14,504	\$ 14,035	\$ 90,727	\$ 119,266

NOTE 8—OTHER LIABILITIES

Other liabilities consisted of the following as of September 30, 2014 (in thousands):

	2014 Non-Current	2014 Current	2014 Total
Other intragovernmental:			
Accrued employee benefits	\$ -	\$ 830	\$ 830
FECA liability	365	-	365
Undisbursed premerger filing fees	-	615	615
Accrued civil penalties due to Treasury	-	2,617	2,617
Subtotal other intragovernmental	\$ 365	\$ 4,062	\$ 4,427
Reimbursable Advances	-	45	45
Accrued payroll and benefits	-	4,105	4,105
Accrued leave	9,737	-	9,737
Actuarial FECA	2,202	-	2,202
Subtotal other	\$ 11,939	\$ 4,150	\$ 16,089
Total Other Liabilities	\$ 12,304	\$ 8,212	\$ 20,516

Other liabilities consisted of the following as of September 30, 2013 (in thousands):

	2013 Non-Current	2013 Current	2013 Total
Other intragovernmental:			
Accrued employee benefits	\$ -	\$ 734	\$ 734
FECA liability	394	-	394
Accrued civil penalties due to Treasury	-	1,050	1,050
Undisbursed premerger filing fees	-	136	136
Subtotal other intragovernmental	\$ 394	\$ 1,920	\$ 2,314
Reimbursable Advances	-	-	-
Accrued payroll and benefits	-	3,626	3,626
Accrued leave	11,385	-	11,385
Actuarial FECA	2,254	-	2,254
Subtotal other	13,639	3,626	17,265
Total Other Liabilities	\$ 14,033	\$ 5,546	\$ 19,579

NOTE 9—OPERATING LEASES

Leases of government and commercial property are made through and managed by the GSA. While the leases with GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the future

lease payments to GSA. The FTC has leases on three government-owned properties and eight commercial properties totaling approximately 607 thousand square feet for use as offices, storage and parking. The FTC's current leases expire at various dates through 2024.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2014:

Fiscal Year (Dollars in thousands)		
2015	\$	6,737
2016		6,742
2017		6,722
2018		6,679
2019		6,349
Thereafter		-
Total Future Minimum Lease Payments	\$	33,229

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2014:

Fiscal Year (Dollars in thousands)		
2015	\$	14,988
2016		14,588
2017		14,544
2018		13,582
2019		14,371
Thereafter		64,630
Total Future Minimum Lease Payments	\$	136,703

NOTE 10—COMMITMENTS AND CONTINGENCIES

The FTC has no pending single or aggregate administrative proceedings, legal actions, and claims brought by or against it, including pending litigation where adverse decisions are considered by management and legal counsel as “reasonably possible” as of September 30, 2014.

NOTE 11—INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUES

The Statement of Net Cost presents the FTC's costs and exchange revenues for its two major strategic goals. The costs and exchange revenues reported can be further classified as either "intragovernmental" or "public". Intragovernmental costs and exchange revenues arise from transactions with another Federal entity, whereas, public costs and exchange revenues arise from transactions with non-Federal entities.

A small portion of the FTC's overall exchange revenue is intragovernmental arising from services provided to other Federal agencies under interagency agreements. FTC bills the buying agency to recover the full cost of services, primarily salaries, and recognizes the revenue at the time expenditures are incurred.

The bulk of the FTC's exchange revenue is "public" and derived from two primary sources:

Fees collected for premerger notification filings under the HSR Act - The HSR Act requires the filing of

premerger notifications with the FTC and the Antitrust Division of the DOJ and establishes a waiting period before certain acquisitions may be consummated. The filing fees are determined by the value and size of the parties. By law, the FTC retains one-half of all premerger filing fees collected, and remits one-half to the DOJ Antitrust Division.

Subscription fees collected for the National DNC Registry - The Do Not Call Registry Fee Extension Act of 2007, which amended the Do Not Call Implementation Act established a permanent fee structure for the DNC Registry and provided that fees be reviewed annually and adjusted for inflation, as appropriate. Telemarketers must pay an annual subscription fee and download a list of telephone numbers of consumers who do not wish to receive calls. Fees are based on the number of area codes downloaded. FTC recognizes the revenue when collected and the telemarketer is given access to the requested data.

Costs and revenues categorized as intragovernmental and public consisted of the following for the fiscal years ended September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Strategic Goal 1: Protect Consumers		
Intragovernmental gross costs	\$ 62,467	\$ 45,938
Public costs	108,027	119,628
Gross costs, Protect Consumers	170,494	165,566
Intragovernmental earned revenue - reimbursements	(3)	(6)
Public earned revenue - Do Not Call registry fees	(13,518)	(14,112)
Earned revenue, Protect Consumers	(13,521)	(14,118)
Net Cost, Protect Consumers	\$ 156,973	\$ 151,448
Strategic Goal 2: Maintain Competition		
Intragovernmental gross costs	\$ 45,608	\$ 33,954
Public costs	78,871	88,421
Gross costs, Maintain Competition	124,479	122,375
Intragovernmental earned revenue - reimbursements	(214)	(491)
Public earned revenue - premerger filing fees	(106,263)	(81,202)
Earned revenue, Maintain Competition	(106,477)	(81,693)
Net Cost, Maintain Competition	\$ 18,002	\$ 40,682
Net Cost of Operations	\$ 174,975	\$ 192,130

NOTE 12—APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

Obligations incurred consisted of the following for the fiscal years ended September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Obligations Incurred:		
Category A - direct obligations	\$ 316,054	\$ 277,209
Category B - direct obligations	17,840	21,945
Category B - reimbursable obligations	244	544
Total Obligations Incurred	\$ 334,138	\$ 299,698

Category A – direct obligations represent amounts obligated in carrying out the FTC’s normal on-going operations. The source of funding for these obligations is an annual appropriation, offsetting collections, and the unobligated funds brought forward from previous years. These funds are made available by OMB through quarterly (Category A) apportionments.

Category B – direct obligations represent amounts obligated for space replacement and the relocation of FTC staff. The funding for these obligations is derived from the same sources as Category A, direct obligations, however, there is a limit on the amount available for this purpose.

Category B – reimbursable obligations represent amounts obligated in fulfilling interagency agreements when FTC is the provider of services. The source of funding for these obligations is reimbursements collected from other Federal agencies to cover the FTC’s costs in fulfilling the agreement.

NOTE 13—EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

There are no material differences between amounts reported in the fiscal year 2013 Statement of Budgetary Resources and the fiscal year 2013 actual amounts as reported in the fiscal year 2015 Budget of the United States Government. The fiscal year 2016 Budget of the United States is not available to compare fiscal year 2014 actual amounts to the fiscal year 2014 Statement of Budgetary Resources.

NOTE 14—UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of budgetary resources obligated for undelivered orders as of September 30, 2014 and 2013, is \$80,059 and \$81,941 thousand, respectively.

NOTE 15—CUSTODIAL ACTIVITIES

The primary custodial activities of the FTC are:

PREMERGER FILING FEES

Fees collected for premerger notification filings under the HSR Act are divided evenly between the FTC and the DOJ. The portion of collections designated for the DOJ is reported as a custodial activity. During fiscal year 2014 and fiscal year 2013, the FTC collected \$212,526 and \$162,404 thousand respectively, in HSR premerger filing fees. One-half of the amounts collected in each year were distributed to DOJ, as shown on the Statement of Custodial Activity. Undistributed fees to the DOJ at September 30, 2014 and 2013 were \$615 and \$136 thousand respectively.

CIVIL PENALTIES

Civil monetary penalties collected in connection with the settlement or litigation of the FTC's administrative or federal court cases are collected by either the FTC or the DOJ as provided by law. In those situations where the FTC collects the penalties, the FTC deposits the money in a receipt account with the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases that are held until final disposition of the case. All civil penalties collected are transferred to the general fund of the Treasury at the end of the year.

CONSUMER REDRESS

Collections for consumer redress reported on the Statement of Custodial Activity are limited to those collections that have been disgorged to the Treasury. Collections disgorged to the Treasury were \$16,157 and \$14,518 thousand as of September 30, 2014 and 2013 respectively.

Other line items on the Statement of Custodial Activity include:

ACCRUAL ADJUSTMENTS

Accrual adjustments represent the change in accounts receivable, net of allowances for uncollectible accounts, for civil penalties assessed in court actions.

(DECREASE)/INCREASE IN AMOUNTS YET TO BE TRANSFERRED

The decrease/increase in amounts yet to be transferred represents the change in the offsetting liability for civil penalties due to Treasury that is established at the time an accounts receivable for civil penalties is recorded.

NOTE 16—CONSUMER REDRESS ACTIVITIES

The FTC obtains consumer redress in connection with the settlement or litigation of both its administrative proceedings and its federal court cases. The FTC attempts to distribute funds thus obtained to consumers whenever possible. In those cases where consumer redress is not practicable, the funds are transferred (disgorged) to the Treasury, or on occasion, used for consumer education or another purpose as directed by the final order issued by the court. Major components of the redress program include eligibility determination, claimant notification, and administration of redress to claimants.

The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. If redress is determined to be practicable, funds needed to cover immediate disbursements to consumers are transferred to accounts at financial institutions from which redress third-party administrators process claims and disburse proceeds to claimants.

Redress fund activities consisted of the following for the fiscal years ended September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	\$ 47,609	\$ 56,575
Collections	124,376	36,063
Disbursements to claimants, net	(69)	(23)
Disgorgements to Treasury	(16,157)	(14,518)
Transfers, expenses, refunds	(50,668)	(30,488)
Total Fund Balance with Treasury, Ending	\$ 105,091	\$ 47,609
Cash and Other Monetary Assets		
Beginning balance	\$ 18,239	\$ 28,360
Disbursements to claimants, net	(38,512)	(36,621)
Transfers, expenses, interest income	49,070	26,500
Total Cash and Other Monetary Assets, Ending	\$ 28,797	\$ 18,239
Accounts Receivable, Net		
Beginning balance	\$ 23,693	\$ 27,219
Net activity	39,083	(3,526)
Total Accounts Receivable, Ending	\$ 62,776	\$ 23,693

NOTE 17 — RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

For the fiscal years ended September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Resources Used to Finance Activities:		
Budgetary resources obligated:		
Obligations incurred	\$ 334,138	\$ 299,698
Less: spending authority from offsetting collections and recoveries	(126,206)	(98,869)
Total budgetary resources obligated	207,932	200,829
Other resources:		
Imputed financing from costs absorbed by others	9,434	9,207
Total other resources	9,434	9,207
Total Resources Used to Finance Activities	\$ 217,366	\$ 210,036
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated, but not yet provided	\$ 1,552	\$ (14,277)
Resources that finance the acquisition of assets	(46,691)	(6,873)
Total resources used to finance items not part of the net cost of operations	(45,139)	(21,150)
Total Resources Used to Finance the Net Cost of Operations	\$ 172,227	\$ 188,886
Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	\$ (1,648)	\$ (144)
Other	(90)	172
Total components requiring or generating resources in future period	(1,738)	28
Components not requiring or generating resources:		
Depreciation and amortization	3,738	3,216
Losses on disposition of assets - other	748	-
Total components not requiring or generating resources	4,486	3,216
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:	\$ 2,748	\$ 3,244
Net Cost of Operations	\$ 174,975	\$ 192,130