



U.S. FEDERAL LABOR RELATIONS AUTHORITY

*Promoting and protecting labor-management relations for
effective, efficient Government.*



AGENCY FINANCIAL REPORT



2019



FLRA.GOV

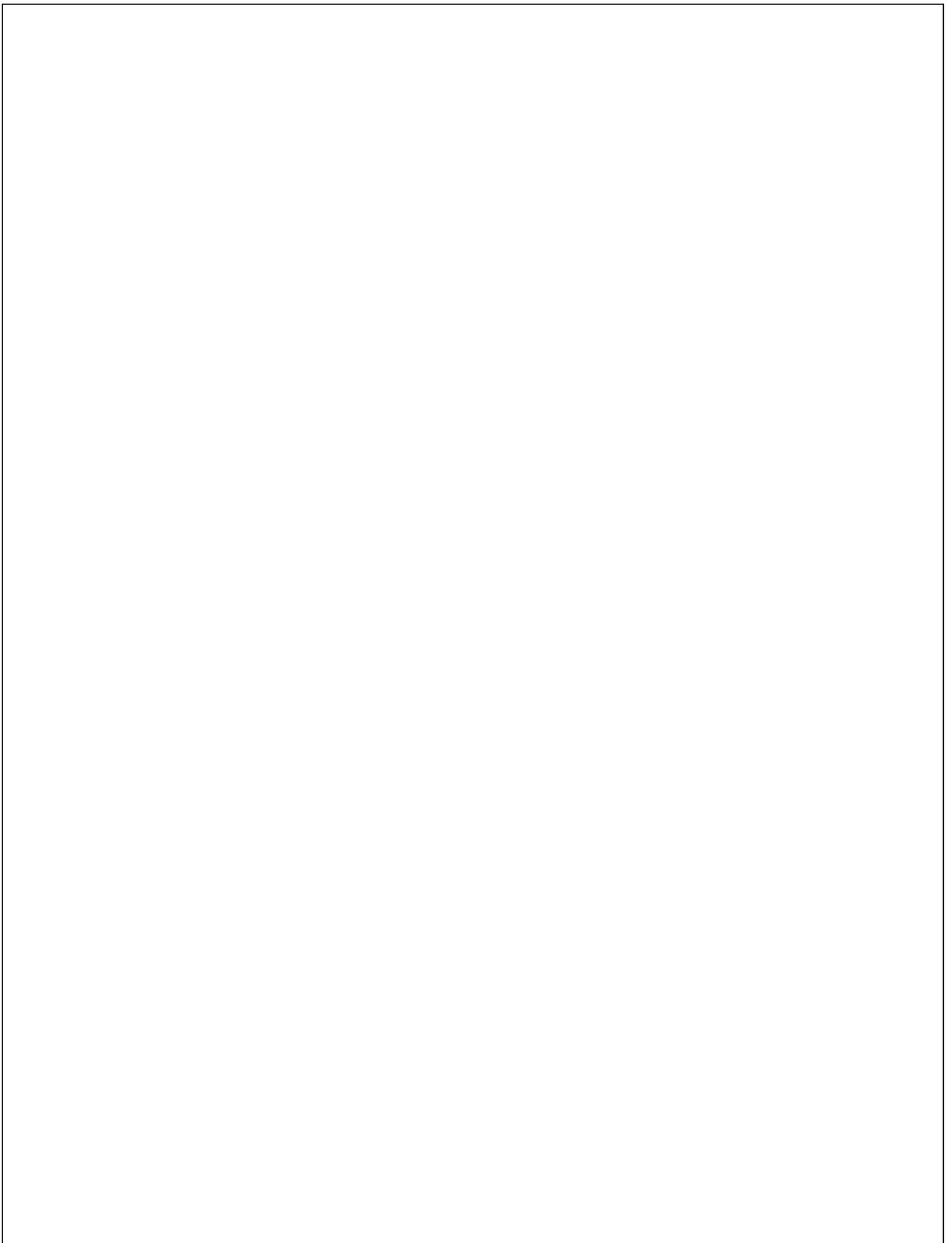


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MESSAGE FROM THE CHAIRMAN



I am pleased to present the Federal Labor Relations Authority's (FLRA) Agency Financial Report (AFR) for fiscal year (FY) 2019. This report provides an assessment of the Agency's financial status along with information on our financial management and performance. The financial statements and notes that follow explain the FLRA's financial position as of September 30, 2019, and how the Agency's financial resources were expended to achieve results. For the fourteenth consecutive year, the FLRA has received an unqualified audit opinion on its financial statements. Along with the unqualified opinion, the report of independent auditors found no material weaknesses in the design and operation of the Agency system of internal controls over financial reporting.

We are confident that the FLRA's financial and performance data are complete, accurate, and reliable.

Management Assurances

The Federal Managers Financial Improvement Act (FMFIA) of 1982 requires agencies to establish internal-control and financial systems that provide reasonable assurance that the integrity of Federal programs and operations are protected. The FMFIA also requires the Chairman to annually assess and report on the effectiveness of internal controls and to provide an annual Statement of Assurance on whether the Agency has met this requirement.

Annual FMFIA Statement of Assurance

In accordance with the requirements of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the FLRA conducted an assessment of the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations, and to determine whether the financial management system conforms to applicable financial requirements.

Based on the results of this assessment, the FLRA provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting, and compliance with applicable laws and regulations as of September 30, 2019, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Further, based on our assessment, we determined that the FLRA financial-management system conforms to applicable financial-systems requirements.

A handwritten signature in black ink, appearing to read 'Colleen', written in a cursive style.

Colleen Duffy Kiko, Chairman
Federal Labor Relations Authority
November 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The FLRA has chosen to produce an Agency Financial Report (AFR), with a primary focus on financial results, and an Annual Performance Report (APR), which focuses on strategic goals and performance results, in lieu of a combined Performance and Accountability report (PAR). The FLRA will submit its final 2019 APR to OMB with its Congressional Budget Justification and, once approved, post it on the FLRA website at the time the President's 2021 Budget is submitted to Congress in 2020. Both the AFR and APR will be posted on the FLRA website.

BACKGROUND AND MISSION

The FLRA is an independent administrative Federal Agency created by Title VII of the Civil Service Reform Act of 1978, also known as the Federal Service Labor-Management Relations Statute (the [Statute](#)), 5 U.S.C. §§ 7101-7135. The purpose of the Statute is to prescribe certain rights and obligations of the employees of the Federal Government and to establish procedures that are designed to meet the special requirements and needs of the Government. *Id.* § 7101(b). The provisions of the Statute are to be interpreted in a manner consistent with the requirement of an effective and efficient Government. *Id.*

The FLRA applied its Federal-sector expertise to execute its mission primarily by carrying out the following statutory responsibilities:

1. Conduct hearings and resolve complaints of unfair labor practices (ULPs) under § 7118 of the Statute. *Id.* § 7105(a)(2)(G). The FLRA is responsible for investigating, prosecuting, and adjudicating claims that an Agency or a labor organization has failed to uphold its legal obligations under the Statute.
2. Determine the appropriateness of units for labor-organization representation under the Statute, and supervise or conduct elections to determine whether a labor organization has been selected as an exclusive representative by a majority of employees in an appropriate unit. *Id.* § 7105(a)(2)(A). The FLRA also resolves disputes about which employees may be included in bargaining units under the Statute. *Id.* § 7105(a)(2)(B).
3. Resolve exceptions to grievance-arbitration awards under § 7122 of the Statute. *Id.* § 7105(a)(2)(H). The FLRA adjudicates appeals – known as exceptions – to arbitration awards that result from grievances filed by employees, labor organizations, or agencies under parties' negotiated grievance procedures. The FLRA reviews those awards to assess whether they are contrary to any law, rule, or regulation, or are deficient on other grounds similar to those applied by Federal courts in private-sector labor-management disputes.
4. Resolve issues relating to the duty to bargain in good faith under § 7117(c) of the Statute. *Id.* § 7105(a)(2)(E). The FLRA resolves negotiability disputes that arise during bargaining under two circumstances – when an Agency claims that a contract proposal is outside the duty to bargain and when an Agency head disapproves a negotiated agreement claiming that it contains provisions that are contrary to law, rule, or regulation.

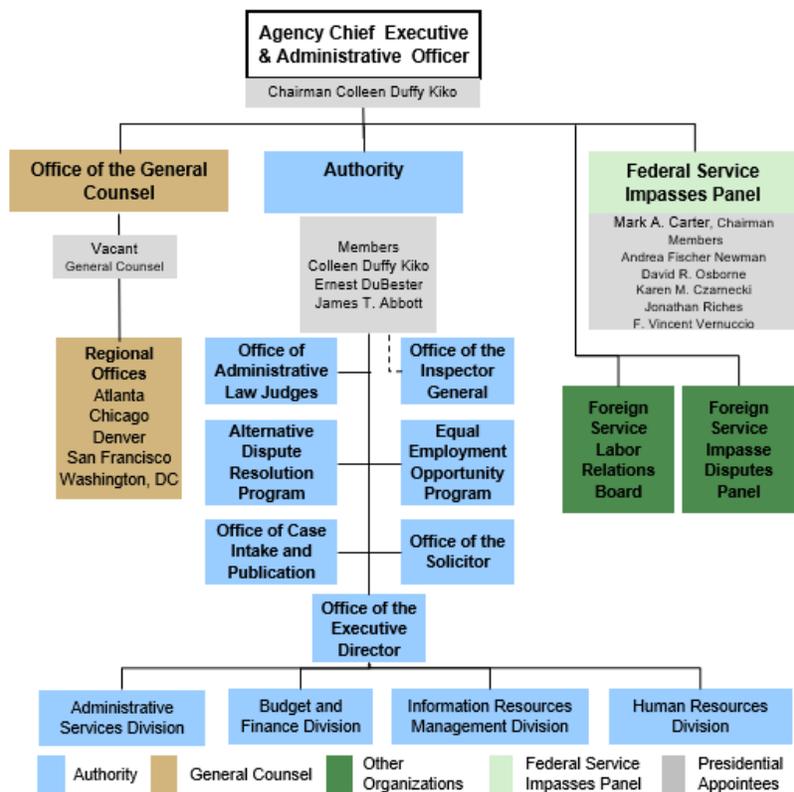
5. Provide assistance in resolving negotiation impasses between Federal agencies and exclusive representatives. *Id.* § 7119.

In addition, Congress directed the FLRA to prescribe criteria and resolve issues relating to the granting of national consultation rights under § 7113 of the Statute; prescribe criteria and resolve issues relating to determining compelling need for Agency rules or regulations under § 7117(b) of the Statute; prescribe criteria relating to the granting of consultation rights with respect to conditions of employment under § 7117(d) of the Statute; and take such other actions as are necessary and appropriate to effectively administer the provisions of the Statute.

Moreover, the FLRA is to “provide leadership in establishing policies and guidance” related to matters under the Statute. *Id.* § 7105(a)(1). The FLRA satisfies this directive primarily through its written determinations, but also by offering training and other services.

ORGANIZATIONAL STRUCTURE

Headquartered in Washington, D.C., the FLRA has three statutory components – the Authority, the Office of the General Counsel (OGC), and the Federal Service Impasses Panel (the FSIP or the Panel) – each with unique adjudicative or prosecutorial roles. The Agency also provides full program and staff support to two other organizations – the Foreign Service Labor Relations Board and the Foreign Service Impasse Disputes Panel, pursuant to the Foreign Service Act of 1980, 22 U.S.C. §§ 4101-4118.



Chief Executive and Administrative Officer

The President of the United States designates one Member as Chairman who serves as the FLRA's chief executive and administrative officer. 5 U.S.C. § 7104(b).

The Authority

The Authority – the FLRA's adjudicatory body – is led by three full-time, presidentially nominated and Senate-confirmed Members who are appointed to fixed, staggered five-year terms.

The Authority is responsible for adjudicating ULP complaints, ruling on exceptions to arbitrators' awards, resolving disputes over the negotiability of collective-bargaining proposals and provisions, and deciding applications for review of Regional Directors' decisions in representation disputes. The Authority Members appoint Administrative Law Judges (ALJs) to hear and prepare recommended decisions that may be appealed to the Authority in cases involving ULP complaints.

Other offices and programs under the jurisdiction of the Authority include the Office of the Solicitor, the Office of Administrative Law Judges (OALJ), the Office of Case Intake and Publication (CIP), the Alternative Dispute Resolution Program, and the Equal Employment Opportunity Program. Standing as an independent entity within the Authority is the Office of Inspector General.

The Office of the General Counsel

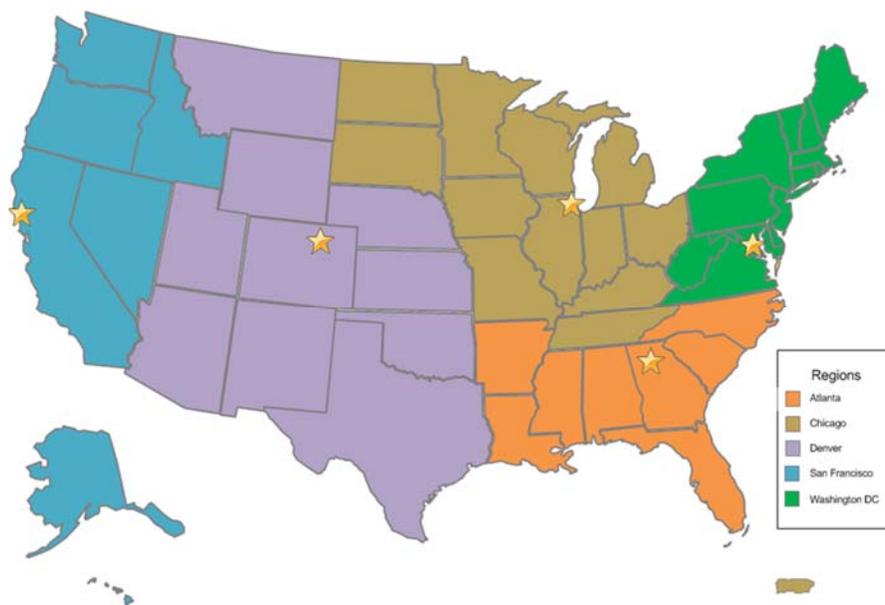
The OGC is led by a presidentially nominated and Senate-confirmed General Counsel who has direct authority over, and responsibility for, all employees in the OGC, including those in the FLRA's Regional Offices.

Under the Statute, the General Counsel has sole responsibility – independent of the Authority – over the investigation and prosecution of ULP cases. The General Counsel's determinations in these matters are final and unreviewable. The OGC investigates and resolves ULP charges, files and prosecutes ULP complaints, and provides training, as appropriate. In addition, through delegation by the Authority, the Regional Offices investigate and resolve representation (REP) cases and conduct secret-ballot elections.

An external challenge beyond the FLRA's control is the absence of a presidentially appointed, Senate-confirmed General Counsel (GC). Absent a GC throughout 2019, no ULP complaints or ULP appeal decisions have issued. In the absence of a GC, the Regional Offices may investigate ULP charges and dismiss those found to lack merit, but they cannot issue ULP complaints in meritorious cases – preventing the complaint from moving forward to a hearing before an ALJ. In addition, only the GC can decide appeals from a Regional Director's dismissal of a charge.

The General Counsel has a small staff at FLRA Headquarters, located in Washington, D.C. Headquarters management provides administrative oversight; develops policies, guidance, procedures, and manuals that provide programmatic direction for the Regional Offices and training and education for the parties; and processes appeals from the Regional Offices' dismissals of ULP charges. Each Regional Office is headed by a Regional Director who provides leadership and management expertise for the respective region. Collectively, the Regional Directors work with senior management throughout the FLRA to develop and implement policy and strategic initiatives to accomplish the FLRA mission.

With the closure of the Boston Regional Office on November 30, 2018, in accordance with the Agency Reform Plan, there are five Regional Offices in Atlanta, Georgia; Chicago, Illinois; Denver, Colorado; San Francisco, California; and Washington, D.C.



The Federal Service Impasses Panel

The FSIP is composed of part-time Presidential appointees – a Chairman and at least six other Members – who are appointed to fixed, staggered five-year terms. The FSIP provides assistance in resolving negotiation impasses between Federal agencies and labor organizations representing Federal employees that arise from collective-bargaining negotiations under the Statute and the Federal Employees Flexible and Compressed Work Schedules Act.

STRATEGIC GOALS / PERFORMANCE SUMMARY

Strategic Goal 1: We will resolve disputes under the Statute in a timely, high-quality, and impartial manner.

The Authority

In 2019, the Authority issued a total of 92 merits decisions. Staff shortages during much of the year have made it difficult to reduce the backlog of pending cases. As the Authority worked to clear its oldest cases, many of the decisions the Agency issued in 2019 were already “overage.” This resulted in the Authority missing some of its 2019 targets. In 37 percent (32/87 cases) of arbitration cases the Authority met its case-processing target of 210 days. The Authority’s concerted effort to clear the oldest cases in its inventory by the end of 2019 is reflected in its performance meeting its outer targets. For example, in 75 percent (6/8) of ULP cases and 83 percent (30/36) of negotiability cases the Authority met its 300-day target. And in 92 percent (33/36) of negotiability cases, 88 percent (7/8) of ULP cases, and 84 percent (73/87) of arbitration cases it met its outer 365-day target.

Further, the Authority continued to meet the statutory requirement to determine whether to grant review in 100 percent of representation cases within 60 days of filing of an application for review from a Regional Director’s determination. Where the Authority has granted applications for review, it met its 210-day target in 75 percent (6/8) of cases and met its outer 365-day target in 88 percent (7/8) of cases.

The Office of Administrative Law Judges

The OALJ – also part of the Authority – met or substantially met all of its performance goals in 2018. Absent a General Counsel or Acting General Counsel, the OALJ has received no new cases since November 2017. All of the cases that were on the OALJ docket were issued by the end of 2018. In the meantime, the Administrative Law Judges (ALJs) are performing work for other agencies through the ALJ Loan Program on a reimbursable basis. Additionally, the ALJs – consistent with governing regulations – are drafting decisions for the Authority in matters other than ULP cases.

The Federal Service Impasses Panel

In 2019, the Federal Service Impasses Panel received 77 filings (more than six new filings per month). The FSIP exceeded most of its timeliness measures for assisting parties in resolving their negotiation impasses. Specifically, it issued decisions to decline jurisdiction on cases not appropriately before the Panel within 140 days of the date that the parties filed their request for assistance in 90 percent (9/10) of the cases. It assisted the parties in achieving voluntary settlement within 160 days of the date that the parties filed their request for assistance in 100 percent (15/15) of cases. And, it issued its final order within 200 days of the date that the parties filed their request for assistance in 100 percent (24/24) of cases.

Office of General Counsel

The FLRA has been without a presidentially-nominated, Senate-confirmed General Counsel since January 20, 2017. Despite the challenges this vacancy created, the OGC has continued delivering strong results in 2019. The OGC exceeded its strategic performance goals for the timely resolution of ULP cases, resolving 87 percent (1,867 of 2,134) by the withdrawal, dismissal or settlement of the ULP charge, within 120 days of the charge's filing date. It also exceeded its performance goals for timely resolution of representation cases, resolving 77 percent (205 of 266) of representation petitions by withdrawal, election or issuance of a Decision and Order within 120 days of filing.

Strategic Goal 2: We will promote stability in the Federal Labor-Management community by providing leadership and guidance through ADR and education.

In 2019, the FLRA, as a whole, provided over 100 training sessions to over 3,000 participants. The Authority, the OGC, and the FSIP provided in-person case-law updates and training at several annual conferences nationwide. These sessions included presentations of newly prepared materials of current relevance, as well as updated materials for more standard sessions. The OGC consistently provided statutory training courses across the country.

In order to serve its customers and fulfill its statutory obligation to expedite negotiability appeals to the extent practicable, the Authority signed a memorandum of understanding (MOU) with the Federal Mediation and Conciliation Service (FMCS) creating a new pilot procedure for resolving negotiability appeals at no cost to the parties. Under its terms, FMCS will develop a unique cadre of mediators, who will receive specialized training from the Authority, to assist the parties in the resolution of negotiability appeals through mediation. Under the pilot program, before a negotiability appeal is considered by the Authority's Members for a decision, the Authority may refer such appeals to FMCS, either on the Authority's own initiative or based upon a request from the parties. The negotiability-appeal-mediation procedure is expected to take between 30 and 60 days.

Strategic Goal 3: We will manage our resources effectively and efficiently in order to achieve organizational excellence

Consistent with the President's Management Agenda (PMA) Cross-Agency Priority (CAP) Goal 1, *Modernize IT to Increase Productivity and Security*, and the Agency's strategic plan, the FLRA continued its ongoing efforts to expand its IT capabilities to enhance mission performance by improving the quality and effectiveness of its internal and external customer-facing services – including increased use of cloud-based solutions, such as email, case management, and document management.

In 2019, the FLRA continued to execute its multi-year, four-phase plan to achieve its long-term goal of implementing end-to-end electronic case files throughout the Agency and complying with OMB mandates. Phase 1 was implementation of upgraded eFiling 3.0. Phase 2 is to provide a similar, more user-friendly and intuitive user interface for the Agency's internal

electronic Case Management System (CMS). Phase 2 also includes implementation of an Agency-wide Document Management System (DMS) – an electronic, cloud-based “filing cabinet” that provides a framework for organizing digital and paper documents. The DMS also provides the necessary storage capacity and IT platform for the eventual integration of eFiling, CMS, and DMS. The Agency has already implemented the DMS, and in early 2020 expects to complete the first pilot of the CMS with the Authority office. The Agency continues to make tremendous strides toward advancing our new and improved case management system to allow for integration with our Document Management System and our new eFiling 3.0.

FINANCIAL SECTION

Principal Financial Statements

The FLRA's principal financial statements have been prepared to report the financial position and results of operations of the Agency, pursuant to the requirements of 31 U.S.C. § 3515(b). While the statements have been prepared from the books and records of the FLRA in accordance with U.S. Generally Accepted Accounting Principles for Federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Balance Sheet

The Balance Sheet presents the FLRA's financial position through the identification of Agency assets, liabilities, and net position. The FLRA's fund balance with the Department of the Treasury (the Treasury) is nearly 90% of the total assets in both FY 2018 and FY 2019. The FLRA does not maintain any cash in commercial bank accounts or foreign currency balances, nor does it have any revolving or trust funds. The Agency's second largest asset is its furniture, equipment, and IT hardware and software, which is recorded at original acquisition cost, and then depreciated using the straight-line method over the estimated useful life of the asset.

Total assets increased to \$6.5 million at the end of FY 2019 from \$4.6 million at the end of FY 2018. New fixed-asset purchases of \$270,613 were made in FY 2019 and the net book value of property and equipment already owned experienced further depreciation.

Assets as of September 30,	2019	2018
Fund balance with the Treasury	\$6,167,641	\$4,474,299
General property and equipment	248,062	78,734
Prepaid expenses	49,655	18,141
Accounts receivable	48,607	10,114
Total	\$6,513,966	\$4,581,288

Totals may not add due to rounding.

Funds held with the Treasury are available to pay Agency liabilities, which represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. Accrued employee leave, payroll, and benefits costs, along with accrued workers' compensation under the Federal Employees Compensation Act (FECA), accounted for 95 percent of total liabilities at the end of FY 2019. The remaining 5 percent reflects the amount owed by the FLRA to vendors and other Federal agencies for purchased

goods and services. Agency liabilities totaled \$4.2 million in FY 2018, and \$3.9 million in FY 2019.

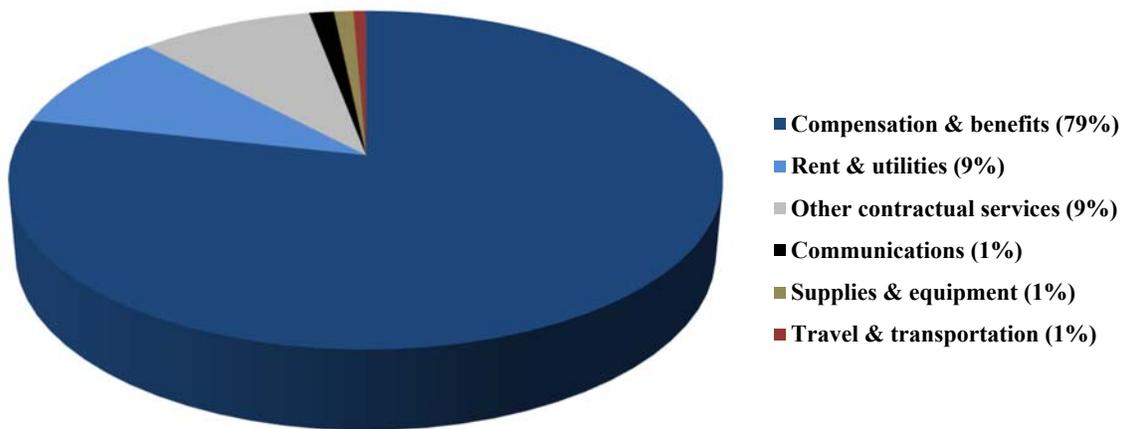
Liabilities as of September 30,	2019	2018
Unfunded leave	\$1,019,222	\$1,102,800
FECA liability	1,792,524	1,471,575
Accrued payroll and benefits	882,702	980,575
Accounts payable	166,022	654,739
Other Liabilities	11,138	261
Total	3,871,608	4,209,950

The FLRA’s total net position at the end of FY 2019 was \$2.6 million, a \$2.3 million increase from the previous year.

Statement of Net Cost

The Statement of Net Cost presents the gross cost of operating the FLRA’s three major programs, less any reimbursable revenue earned from those activities. The net cost of operations in FY 2019 was \$24.5 million, which is \$2.8 million less than FY 2018. In FY 2019, 58 percent of the Agency’s direct resources were dedicated to the Authority, which includes central administrative services provided to the entire Agency; 39 percent were dedicated to the OGC; and the remaining 3 percent were devoted to the FSIP.

FY 2019 Financial Obligations by Budget Object Class



Statement of Changes in Net Position

The Statement of Changes in Net Position reflects the changes that occurred within the cumulative results of operations and any unexpended appropriations. The 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. Cumulative results from FY 2018 to FY 2019 reflect a \$38 thousand increase totaling \$2.5 million.

Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The FLRA had an increase of \$2.3 million in total, unexpended Agency appropriations in FY 2019.

Statement on Budgetary Resources

The Statement on Budgetary Resources reports the budgetary resources available to the FLRA during FY 2018 and FY 2019 to carry out the activities of the Agency, as well as the status of those resources at the end of each year. The primary source of FLRA funding is its annual Salaries and Expenses appropriation from the Congress. The Agency also receives reimbursements, pursuant to the Economy Act, for travel expenses associated with training provided by Agency employees on the Statute and FLRA mission.

The FLRA had \$26.7 million in total budgetary resources available to it in FY 2019. The Agency incurred obligations of \$26.4 million in FY 2019, with recording outlays of \$24 million. Total budgetary resources decreased by \$448 thousand in FY 2019, due primarily to the timing of unpaid obligations.

Federal Labor Relations Authority		
BALANCE SHEET		
(in dollars)		
As of September 30, 2019 and 2018		
	2019	2018
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 6,167,641	\$ 4,474,299
Accounts Receivable (Note 3)	40,368	10,114
Prepaid Expenses	49,655	18,141
Total Intragovernmental	\$ 6,257,664	\$ 4,502,554
Accounts Receivable, Net (Note 3)	\$ 8,239	\$ -
Property, Equipment, and Software, Net (Note 4)	248,062	78,734
Total Assets	\$6,513,966	\$4,581,288
Liabilities:		
Intragovernmental		
Accounts Payable (Note 5)	\$ -	\$ 328,155
Accrued Payroll and Benefits (Note 5)	173,242	187,829
FECA Unfunded (Note 5)	198,927	222,358
Other	10,850	-
Total Intragovernmental	\$ 383,019	\$ 738,342
Accounts Payable (Note 5)	\$ 166,022	\$ 326,584
Unfunded Leave (Note 5)	1,019,222	1,102,800
FECA Actuarial Liability (Note 5)	1,593,597	1,249,217
Accrued Payroll and Benefits (Note 5)	709,460	792,746
Other Liabilities (Note 6)	288	261
Total Liabilities	\$ 3,871,608	\$ 4,209,950
Net Position:		
Unexpended Appropriations - Other Funds	\$ 5,174,568	\$ 2,864,908
Cumulative Results of Operations - Other Funds	(2,532,210)	(2,493,570)
Total Net Position	\$ 2,642,358	\$ 371,338
Total Liabilities and Net Position	\$ 6,513,966	\$ 4,581,288

Accompanying notes are integral to these statements and may reflect rounding differences.

Federal Labor Relations Authority		
STATEMENT OF NET COST		
(in dollars)		
For the Years Ended September 30, 2019 and 2018		
	2019	2018
Gross Program Costs:		
Authority:		
Intragovernmental Costs	\$ 5,390,916	\$ 6,039,210
Public Costs	8,793,418	9,121,750
Total Program Costs	\$ 14,184,334	\$ 15,160,960
Less: Earned Revenue	(22,521)	(1,239)
Net Program Costs	\$ 14,161,813	\$ 15,159,721
Federal Services Impasse Panel:		
Intragovernmental Costs	\$ 184,877	\$ 189,605
Public Costs	611,694	669,093
Total Program Costs	\$ 796,571	\$ 858,698
Less: Earned Revenue	-	-
Net Program Costs	\$ 796,571	\$ 858,698
Office of General Counsel:		
Intragovernmental Costs	\$ 2,363,319	\$ 2,757,467
Public Costs	7,219,015	8,531,298
Total Program Costs	\$ 9,582,334	\$ 11,288,765
Less: Earned Revenue	(6,408)	(7,199)
Net Program Costs	\$ 9,575,926	\$ 11,281,566
Total Gross Program Costs	\$ 24,563,239	\$ 27,308,423
Less: Total Earned Revenue	(28,929)	(8,438)
Net Cost of Operations	\$ 24,534,310	\$ 27,299,985

Accompanying notes are integral to these statements and may reflect rounding differences.

Federal Labor Relations Authority
STATEMENT OF CHANGES IN NET POSITION
(in dollars)

For the Years Ended September 30, 2019 and 2018

	2019	2018
Unexpended Appropriations:		
Beginning Balances	\$ 2,864,908	\$ 3,333,393
Budgetary Financing Sources:		
Appropriations Received	\$ 26,200,000	\$ 26,200,000
Other Adjustments	(525,964)	(519,592)
Appropriations Used	(23,364,376)	(26,148,893)
Total Budgetary Financing Sources	\$ 2,309,660	\$ (468,485)
Total Unexpended Appropriations	\$ 5,174,568	\$ 2,864,908
Cumulative Results of Operations:		
Beginning Balances	\$ (2,493,570)	\$ (2,548,456)
Budgetary Financing Sources:		
Appropriations Used	\$ 23,364,376	\$ 26,148,893
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources	\$ 1,131,294	\$ 1,205,978
Total Financing Sources	\$ 24,495,670	\$ 27,354,871
Net Cost of Operations	(24,534,310)	(27,299,985)
Net Change	\$ (38,640)	\$ 54,886
Cumulative Results of Operations	\$ (2,532,210)	\$ (2,493,570)
Net Position	\$ 2,642,358	\$ 371,338

Accompanying notes are integral to these statements and may reflect rounding differences.

Federal Labor Relations Authority
STATEMENT OF BUDGETARY RESOURCES
(in dollars)

For the Years Ended September 30, 2019 and 2018

	2019	2018
Budgetary Resources:		
Unobligated balance from prior year budget authority, net	\$ 467,118	\$ 932,190
Appropriations	26,200,000	26,200,000
Spending authority from offsetting collections	29,662	12,323
Total Budgetary Resources	\$ 26,696,780	\$ 27,144,513
Memorandum (non-add) Entries:		
Net adjustments to unobligated balance brought forward, Oct. 1	\$ (4,182,374)	\$ (4,251,250)
Status of Budgetary Resources:		
New obligations and upward adjustments (Note 10)	\$ 26,386,975	\$ 26,408,865
Unobligated balance, end of year:		
Apportioned, unexpired account	34,427	9,108
Expired unobligated balance, end of year	275,378	726,540
Unobligated balance, end of year (total)	309,805	735,648
Total Budgetary Resources	\$ 26,696,780	\$ 27,144,513
Outlays, net:		
Outlays, net, (total)	\$ 23,980,695	\$ 26,187,577
Agency outlays, net	\$ 23,980,695	\$ 26,187,577

Accompanying notes are integral to these statements and may reflect rounding differences.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The FLRA is an independent, administrative Federal agency created by Title VII of the Civil Service Reform Act of 1978, with a mission to carry out five statutory responsibilities: (1) determining the appropriateness of units for labor organization representation; (2) resolving complaints of unfair labor practices; (3) adjudicating exceptions to arbitrators' awards; (4) adjudicating legal issues relating to duty to bargain; and (5) resolving impasses during negotiations. The agency consists of three components: the Authority, the Office of the General Counsel, and the Federal Service Impasses Panel.

B. Basis of Accounting and Presentation

The financial statements have been prepared to report the financial position, net cost of operations, changes in net position, and budgetary resources of the FLRA in accordance with the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Accountability of Tax Dollars Act of 2002. The statements have been prepared from agency financial records in accordance with U.S. Generally Accepted Accounting Principles (GAAP), in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB), as prescribed in OMB Circular A-136, Financial Reporting Requirements, and pursuant to the requirements of 31 U.S.C. § 3515(b). These financial statements include all funds and accounts under the control of the FLRA.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to the receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases occur before an accrual-based transaction takes place. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

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

C. Budget Authority

The Congress passes appropriations annually that provide the FLRA with authority to obligate funds for necessary salaries and expenses to carry out mandated program activities. These funds are available until expended, subject to OMB apportionment and to Congressional restrictions on the expenditure of funds. Also, the FLRA places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds.

D. Fund Balance with Treasury

FLRA receipts and disbursements are processed by the Department of the Treasury. Fund balances with the Treasury consist of appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments. No cash is held in commercial bank accounts.

E. Accounts Receivable

Accounts receivable consists of amounts owed to FLRA by other federal agencies and the public. Amounts due from federal agencies are considered fully collectible and consist of interagency agreements. An allowance for uncollectible accounts receivable from the public is established when

either (1) management determines that collection is unlikely to occur after a review of outstanding accounts and the failure of all collection efforts, or (2) an account for which no allowance has been established is submitted to the Department of the Treasury for collection, which takes place when it becomes 120 days delinquent. Based on historical experience, all receivables are considered collectible and no allowance is provided.

F. General Property and Equipment (P&E)

This category consists of equipment and internal use software. The basis for recording purchased P&E is full cost, including all costs incurred to bring FLRA P&E to and from a location suitable for its intended use. P&E is depreciated using the straight-line method over the estimated useful life of the asset. Statement of Federal Financial Accounting Standards (SFFAS) No. 10, Accounting for Internal Use Software, provides accounting standards for internal use software used by each agency. The standards provide for capitalized property to continue to be reported on the Balance Sheet. P&E that are not capitalized because they are under the capitalization threshold are expensed in the year of acquisition.

The FLRA’s capitalization threshold for individual purchases is \$25,000. Bulk purchases of similar items that individually are worth less than \$25,000, but collectively are worth more than \$100,000 are also capitalized using the same general P&E categories and useful lives as capital acquisitions. Major building alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred.

General P&E Category	Service Life
Software	3 Years
Computer Equipment	5 Years
Office Equipment	7 Years
Office Furniture	15 Years
Leasehold Improvements	Life of lease

G. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the FLRA as a result of transactions or events that have already occurred. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. FLRA reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources. No liability can be paid, however, absent an appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources, since there is no certainty that the appropriation will be enacted. Liabilities that are covered by budgetary resources consist of intragovernmental and public accounts payable and accrued funded payroll.

Liabilities not covered by budgetary resources in FY 2018 and FY 2019 consist of accrued and actuarial Federal Employees Compensation Act (FECA) compensation and unfunded employee leave. The Federal government, acting in its sovereign capacity, can abrogate liabilities other than contracts.

H. FECA Liabilities

An accrued FECA liability is recorded for actual and estimated future payments to be made for workers’ compensation pursuant to the FECA. The actual costs incurred are reflected as a liability because agencies will reimburse the Department of Labor (DOL) two years after the actual payment of expenses. Future revenues will be used for their reimbursement to the DOL. The liability consists of: (1) the unreimbursed

cost paid by the DOL for compensation to recipients under the FECA; and (2) the net present value of estimated future payments calculated by the DOL.

An estimated actuarial liability for future workers' compensation benefits is included. The liability estimate is based on the DOL's FECA actuarial model that takes the amount of benefit payments over the last twelve quarters and calculates the annual average of payments for medical expenses and compensation. This average is then multiplied by the liabilities-to-benefits paid ratios for the whole FECA program. The ratios may vary from year to year as a result of economic assumptions and other factors, but the model calculates a liability approximately twelve times the annual payments.

I. Annual, Sick and Other Leave

Amounts associated with the payment of annual leave are accrued while leave is being earned by employees, and this accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior-year appropriations are not available to finance annual leave, future financing sources will be used. Sick leave and other types of non-vested leave are expensed as taken.

Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS) or a Civil Service Retirement System Offset (CSRS offset)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Federal Employees Retirement System (FERS)-covered employees were not entitled to use unused sick leave for additional service credit until October 28, 2009. For retirements effective between October 28, 2009 and December 31, 2013, 50 percent of unused sick leave can be used for additional service credit. For retirements effective after December 31, 2013, 100 percent of unused sick leave can be credited.

J. Net Position

The components of net position are unexpended appropriations and cumulative results of operations. Unexpended appropriations include undelivered orders and unobligated balances. Undelivered orders reflect the amount of goods and services ordered that have yet to be actively or constructively received. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The 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.

K. Retirement Plans

The FLRA's employees participate in the CSRS or the FERS. For CSRS employees, hired prior to January 1, 1984, the FLRA withholds seven percent of each employee's salary and contributes seven percent of the employee's basic salary to the CSRS Retirement and Disability Fund. These employees may also contribute, on a tax-deferred basis, to a defined contribution plan – the Thrift Savings Plan (TSP). The regular Internal Revenue Service limit in FY 2018 and FY 2019 was \$18,500 and \$19,000, respectively. The FLRA is not required to and does not contribute any matching amounts for CSRS employees.

The FERS was established by enactment of Public Law 99-335. Pursuant to this law, the FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984 elected either to join the FERS and Social Security or to remain in the CSRS. For FERS employees, the FLRA withholds 6.2 percent in old age survivors and disability insurance up to a specified wage ceiling and 0.8 percent of an employee's gross earnings for retirement. In FY 2019, the FLRA matched the retirement withholdings with a contribution equal to 13.7 percent of the employee's taxable salary. Due to enactment of the FERS Revised Annuity Employee and Further Revised Annuity Employee programs, the agency matched with a contribution equal to 11.9 percent for employees hired during and after calendar year 2013.

All employees are eligible to contribute to the TSP. For employees under the FERS, a TSP account is automatically established. The FLRA is required to make a mandatory contribution of one percent of the base salary for each employee under the FERS. The agency is required to match the employee's contribution up to a maximum of five percent of his or her salary. Matching contributions are not made to the TSP accounts established by CSRS employees. The FLRA does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, are the responsibility of the OPM.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. CSRS employees who are 65 or older are eligible for Social Security payments (even if they have not retired). In these instances, the FLRA remits the employer's share of the required contribution.

L. Imputed Financing from Costs Absorbed by Others

The FASAB's SFFAS No. 5, Accounting for Liabilities of the Federal Government, requires that employer agencies recognize the full cost of pension, health, and life insurance benefits during their employees' active years of service. The OPM, as administrator of the CSRS and FERS plans, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program, must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. An imputed financing source and corresponding imputed personnel cost is reflected in the Statement of Changes in Net Position and the Statement of Net Cost.

M. Revenue and Other Financing Sources

The FLRA's revenues are derived from reimbursable work agreements, Freedom of Information Act collections, and a direct annual appropriation. The FLRA recognizes reimbursable work when earned, i.e., services have been provided. Each reimbursable work agreement specifies the dollar value of the agreement and is based on estimated resources needed to perform the specified services.

The agency receives an annual Salaries and Expenses appropriation from the Congress. Annual appropriations are used, within statutory limits, for salaries and administrative expenses and for operating and capital expenditures for essential P&E. Appropriations are recognized as non-exchange revenues at the time the related program expenses are incurred. Appropriations expended for capitalized P&E are recognized as expenses when an asset is consumed in operations. The FLRA's annual appropriation for FY 2018 and FY 2019 was \$26,200,000.

N. Expired Accounts and Cancelled Authority

Unless otherwise specified by law, annual budget authority expires for incurring new obligations at the beginning of the subsequent fiscal year. The account into which the annual authority is placed is called an expired account. For five fiscal years, the expired account is available for expenditure to liquidate valid obligations incurred during the unexpired period. Adjustments are allowed to increase or decrease valid obligations incurred during the unexpired period that were not previously reported. At the end of the fifth expired year, the account is cancelled and any remaining money is returned to the Treasury.

O. Contingencies

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the agency. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past

transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.

P. 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, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Q. Advances and Prepayments

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable work agreements, subscriptions, and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advance payments and recognized as expenses when the related goods and services are received.

NOTE 2: FUND BALANCE WITH TREASURY

U.S. government cash is accounted for on an overall consolidated basis by the Treasury. The amounts shown on the Balance Sheet represent the FLRA’s right to draw on the Treasury for valid expenditures. The fund balance as shown on the FLRA records is reconciled monthly with records from the Treasury. Fund Balance with Treasury account balances as of September 30, 2019 and 2018 were as follows (In Dollars):

	2019	2018
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 34,427	\$ 9,108
Unavailable	275,377	726,540
Obligated Balance Not Yet Disbursed	5,857,837	3,738,651
Total	\$ 6,167,641	\$ 4,474,299

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

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, unfilled orders, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 3: ACCOUNTS RECEIVABLE

The reported amount for accounts receivable consists of amounts owed to the FLRA by other Federal agencies (intragovernmental) and the public. There are no amounts that are deemed uncollectible as of

September 30, 2019 and 2018. Accounts Receivable balances as of September 30, 2019 and 2018 were as follows (In Dollars):

	2019	2018
Intragovernmental		
Accounts Receivable	\$ 40,368	\$ 10,114
Total Intragovernmental Accounts Receivable	\$ 40,368	\$ 10,114
With the Public		
Accounts Receivable	\$ 8,239	\$ -
Total Public Accounts Receivable	\$ 8,239	\$ -
Total Accounts Receivable	\$ 48,607	\$ 10,114

NOTE 4: PROPERTY, EQUIPMENT, AND SOFTWARE, NET

Schedule of Property, Equipment, and Software as of September 30, 2019 (In Dollars):

Major Class	Acquisition Cost	Accumulated Amortization/ De pre ciation	Net Book Value
Computer Equipment	\$ 726,499	\$ 478,437	\$ 248,062
Office Furniture	9,077	9,077	-
Total	\$ 735,576	\$ 487,514	\$ 248,062

Schedule of Property, Equipment, and Software as of September 30, 2018 (In Dollars):

Major Class	Acquisition Cost	Accumulated Amortization/ De pre ciation	Net Book Value
Computer Equipment	\$ 455,885	\$ 377,756	\$ 78,129
Office Equipment	202,231	202,231	-
Office Furniture	453,695	453,090	605
Total	\$ 1,111,811	\$ 1,033,077	\$ 78,734

NOTE 5: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

Unfunded FECA liabilities consist of workers' compensation claims payable to the DOL, which will be funded in a future year, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. The actuarial calculation is based on benefit payments made over twelve quarters and calculates the annual average of payments. For medical expenses and compensation, this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. At the end of each month the balance in the unfunded leave account is adjusted to reflect the liability at current pay rates and leave balances. Unfunded leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken. All other liabilities are considered to be covered by budgetary resources.

Liabilities Covered and Not Covered by Budgetary Resources as of September 30, 2019 consist of the following (In Dollars):

	Covered	Not Covered	Total
Intragovernmental Liabilities			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Payroll and Benefits	173,242	-	173,242
Unfunded FECA	-	198,927	198,927
Other	10,850	-	10,850
Total Intragovernmental Liabilities	\$ 184,092	\$ 198,927	\$ 383,019
Public Liabilities			
Accounts Payable	\$ 166,022	\$ -	\$ 166,022
Unfunded Leave	-	1,019,222	1,019,222
FECA Actuarial Liability	-	1,593,597	1,593,597
Accrued Payroll and Benefits	709,460	-	709,460
Other	288	-	288
Total Public Liabilities	\$ 875,770	\$ 2,612,819	\$ 3,488,589
Total Liabilities	\$ 1,059,862	\$ 2,811,746	\$ 3,871,608

Liabilities Covered and Not Covered by Budgetary Resources as of September 30, 2018 consist of the following (In Dollars):

	Covered	Not Covered	Total
Intragovernmental Liabilities			
Accounts Payable	\$ 328,155	\$ -	\$ 328,155
Accrued Payroll and Benefits	187,829	-	187,829
Unfunded FECA	-	222,358	222,358
Total Intragovernmental Liabilities	\$ 515,984	\$ 222,358	\$ 738,342
Public Liabilities			
Accounts Payable	\$ 326,584	\$ -	\$ 326,584
Unfunded Leave	-	1,102,800	1,102,800
FECA Actuarial Liability	-	1,249,217	1,249,217
Accrued Payroll and Benefits	792,746	-	792,746
Other	261	-	261
Total Public Liabilities	\$ 1,119,591	\$ 2,352,017	\$ 3,471,608
Total Liabilities	\$ 1,635,575	\$ 2,574,375	\$ 4,209,950

NOTE 6: OTHER LIABILITIES

Other liabilities as of September 30, 2019 consisted of the following (In Dollars):

	Current	Non-Current	2019 Total
Intragovernmental			
Unemployment Insurance Liability	\$ 10,798	\$ -	\$ 10,798
Custodial Liability	52	-	52
Total Intragovernmental Other Liabilities	\$ 10,850	\$ -	\$ 10,850
With the Public			
Withholdings Payable	\$ (445)	\$ -	\$ (445)
Advances and Prepayments	733	-	733
Total Public Other Liabilities	\$ 288	\$ -	\$ 288

Other liabilities as of September 30, 2018 consisted of the following (In Dollars):

	Current	Non-Current	2018 Total
With the Public			
Advances and Prepayments	\$ 261	\$ -	\$ 261
Total Other Liabilities	\$ 261	\$ -	\$ 261

NOTE 7: LEASES

The FLRA has operating leases for rental of office space and equipment. As a Federal agency, the FLRA is not liable for any lease terms beyond one year. All leases are federal.

Current Operating Leases**233 Peachtree Street NE, Atlanta, GA**

The FLRA has an interagency agreement with the General Services Administration for office space at 233 Peachtree Street NE, Atlanta, GA. The term is for 120 months beginning on or about January 18, 2012. FLRA has the right to terminate the lease based on the availability of funds or with a four month notice at any point after the first twelve months of occupancy.

10 Causeway Street, Boston, MA

The FLRA has an interagency agreement with the General Services Administration for office space at 10 Causeway Street, Boston, MA. The term is for 48 months beginning on or about May 15, 2016. FLRA has the right to terminate the lease based on the availability of funds or with a four month notice at any point after the first twelve months of occupancy. FLRA terminated this lease effective November 30, 2018.

224 S. Michigan Avenue, Suite 445, Chicago, IL

The FLRA has an interagency agreement with the General Services Administration for office space at 224 S. Michigan Avenue, Suite 445, Chicago, IL. The term is for 120 months beginning on or about June 16,

2012. FLRA has the right to terminate the lease based on the availability of funds or with a four month notice at any point after the first twelve months of occupancy.

525 Griffin Street, Dallas, TX

The FLRA had an interagency agreement with the General Services Administration for office space at 525 Griffin Street, Dallas, TX. The term was for 120 months beginning on or about October 1, 2017. FLRA terminated this lease effective September 30, 2018.

1244 Speer Boulevard, Denver, CO

The FLRA has an interagency agreement with the General Services Administration for office space at 1244 Speer Boulevard, Denver, CO. The previous term of 57 months began on July 1, 2013 and expired on March 24, 2018. The term for the current agreement is for 120 months beginning on or about March 25, 2018. FLRA has the right to terminate the lease based on the availability of funds or with a four month notice at any point after the first twelve months of occupancy.

1400 K Street NW, Washington, DC

The FLRA has an interagency agreement with the General Services Administration for office space at 1400 K Street NW, Washington, DC. The term is for 87 months beginning on or about June 1, 2014. FLRA has the right to terminate the lease based on the availability of funds or with a four month notice at any point after the first twelve months of occupancy.

901 Market Street, San Francisco, CA

The FLRA has an interagency agreement with the General Services Administration for office space at 901 Market Street, San Francisco, CA. The term is for 120 months beginning on or about August 1, 2011. FLRA has the right to terminate the lease based on the availability of funds or with a four month notice at any point after the first twelve months of occupancy.

NOTE 8: COMMITMENTS AND CONTINGENCIES

The FLRA is, at times, a party in various administrative proceedings, legal actions, and claims brought by or against the agency. In the opinion of FLRA management, the ultimate resolution of any proceedings, actions, and claims will not materially affect financial position or results of operations of the FLRA. The agency examined its FY 2014 obligations prior to cancellation and believes that it does not have any outstanding commitments or contingencies that will require future resources to liquidate.

NOTE 9: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

The classification of revenue or cost as “intragovernmental” or “with the public” is determined on a transaction by transaction basis. Preceding transactions in the lifecycle of a product will not have an impact on subsequent transactions. If the FLRA purchases goods or services from another Federal entity, capitalizes them into inventory, and later resells them to the public, the cost of the original purchase of resale assets from the other Federal entity will be classified as “intragovernmental” at the time of the purchase. At ultimate sale to the end user, the resulting cost of goods will be classified as “with the public.” 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 10: APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

All obligations incurred are characterized as Category A, quarterly apportioned, on the Statement of Budgetary Resources. Obligations incurred and reported in the Statement of Budgetary Resources in fiscal years 2019 and 2018 consisted of the following:

	2019	2018
Direct Obligations, Category A	\$ 26,357,314	\$ 26,395,924
Reimbursable Obligations, Category A	29,662	12,942
Total Obligations Incurred	\$ 26,386,975	\$ 26,408,865

NOTE 11: UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2019 consisted of the following (In Dollars):

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 49,656	\$ -	\$ 49,656
Unpaid Undelivered Orders	1,148,819	3,667,021	4,815,840
Total Undelivered Orders	\$ 1,198,475	\$ 3,667,021	\$ 4,865,496

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2018 consisted of the following (In Dollars):

	Federal	Non-Federal	Total
Paid Undelivered Orders	\$ 18,141	\$ -	\$ 18,141
Unpaid Undelivered Orders	(299,939)	2,411,319	2,111,380
Total Undelivered Orders	\$ (281,798)	\$ 2,411,319	\$ 2,129,521

NOTE 12: EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT

SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, calls for explanation of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the U.S. Government (the President's Budget). The FY 2020 President's Budget, with actual amounts for FY 2018, has been reconciled to the Statement of Budgetary Resources. The FY 2021 President's Budget, with actual amounts for FY 2019, will not be published until February 2020.

NOTE 13: INCIDENTAL CUSTODIAL COLLECTIONS

Custodial collections are reflected in Fund Balance with Treasury during the year. While these collections are considered custodial, they are neither primary to the mission of the agency nor material to the overall financial statements. FLRA's custodial collections are \$1 for the year ended September 30, 2018. There were no custodial collections for the year ended September 30, 2019. Custodial collections

are transferred to the Treasury General Fund on September 30 and are not reflected in the financial statements of the Agency.

NOTE 14: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

Details of the relationship between budgetary resources obligated and the net costs of operations for the fiscal year ended September 30, 2019 are shown in the following table:

Federal Labor Relations Authority RECONCILIATION OF NET COST AND BUDGET OUTLAYS (in dollars)			
For the Year Ended September 30, 2019			
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	\$ 7,932,704	\$ 16,601,606	\$ 24,534,310
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	\$ -	\$ (101,285)	\$ (101,285)
Increase/(decrease) in assets:			
Accounts receivable	\$ 30,254	\$ 8,239	\$ 38,493
Other assets	31,514	-	31,514
(Increase)/decrease in liabilities not affecting Budget Outlays:			
Accounts payable	\$ 328,155	\$ 160,563	\$ 488,718
Salaries and benefits	14,587	83,287	97,874
Other liabilities	12,581	(260,829)	(248,248)
Other financing sources:			
Federal employee retirement benefit costs	\$ (1,131,294)	\$ -	\$ (1,131,294)
Total Components of Net Operating Cost Not Part of the Budget Outlays	\$ (714,203)	\$ (110,025)	\$ (824,228)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	\$ -	\$ 270,613	\$ 270,613
Other	2	(2)	-
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	\$ 2	\$ 270,611	\$ 270,613
Net Outlays (Calculated Total)	\$ 7,218,503	\$ 16,762,192	\$ 23,980,695
Related Amounts on the Statement of Budgetary Resources			
Outlays, net, (total) (SBR 4190)			\$ 23,980,695
Distributed offsetting receipts (SBR 4200)			-
Outlays, Net (SBR 4210)			\$ 23,980,695

Independent Auditor’s Report

Independent Auditor's Report

The Honorable Colleen Duffy Kiko
Chairman
Federal Labor Relations Authority

In our audits of the Fiscal Years 2019 and 2018 financial statements of Federal Labor Relations Authority (FLRA) we found:

- a) FLRA'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;
- b) no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- c) no reportable noncompliance for Fiscal Year 2019 with provisions of applicable laws, regulations, and contracts we tested.

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

Report on the Financial Statements

In accordance with U.S. generally accepted government auditing standards (GAGAS) and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, we have audited FLRA's financial statements. FLRA's financial statements comprise the balance sheets as of September 30, 2019 and 2018; the related statements of net cost, changes in net position, and budgetary resources for the Fiscal Years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with GAGAS. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

FLRA's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. GAGAS 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, FLRA's financial statements present fairly, in all material respects, FLRA's financial position as of September 30, 2019 and 2018, and its net costs of operations, changes in net position, and budgetary resources for the Fiscal Years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with GAGAS, 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

FLRA'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 FLRA'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 FLRA's financial statements, we considered the FLRA's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the FLRA's internal control over financial reporting in accordance with GAGAS.

Management's Responsibility

FLRA 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 FLRA's financial statements as of and for the year ended September 30, 2019, in accordance with GAGAS, we considered the FLRA'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 FLRA's internal control over financial reporting. Accordingly, we do not express an opinion on the FLRA'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, and contracts, 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 FLRA's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our 2019 audit, we identified deficiencies in FLRA's internal control over financial reporting that we do not consider to be material weaknesses. Nonetheless, these deficiencies warrant FLRA management's attention. We have communicated these matters to FLRA management and, where appropriate, will report on them separately.

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 FLRA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FLRA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with GAGAS 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 and Regulations

In connection with our audits of FLRA's financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contracts 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 GAGAS.

Management's Responsibility

FLRA management is responsible for complying with laws, regulations, and contracts applicable to FLRA.

Auditor's Responsibility

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

Results of Our Tests for Compliance with Laws and regulations

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for Fiscal Year 2019 that would be reportable under GAGAS. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to FLRA. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws and regulations

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts, 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 GAGAS in considering compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.



*Rockville, Maryland
November 19, 2019*

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion:	Unqualified				
Restatement:	No				
	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Material weaknesses	0	0	0	0	0

SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance:	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance:	Unqualified					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Material weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance:	Systems conform					
	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Non-conformances	0	0	0	0	0	0

IMPROPER PAYMENTS ELIMINATION AND RECOVERY

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agencies to annually report information on improper payments. The FLRA has reviewed all of its programs and determined that none are susceptible to significant improper payment. The IPERA also requires agencies to conduct payment-recapture audits for each program that expends \$1 million or more annually, if conducting such audits would be cost-effective. Based on the criteria set forth in Appendix C of OMB Circular A-123, the agency has also determined that it would not be cost-effective to establish a recovery-audit program for its programs that expend more than \$1 million. Recoveries are not expected to be greater than the costs incurred to identify any overpayments.

FEDERAL LABOR RELATIONS AUTHORITY

**1400 K Street, N.W.
Washington, DC 20424**

www.flra.gov

WWW.FLRA.GOV