

AMERICAN BATTLE
MONUMENTS COMMISSION

FISCAL YEAR 2014
ANNUAL REPORT



*President Obama with World War II veterans at Normandy American Cemetery
on the 70th anniversary of D-Day*

Cover Photo: Netherlands American Cemetery (Richard Arseneault)

SECRETARY'S MESSAGE

With this annual report we present the Commission's financial statements and performance results for the year ending September 30, 2014.

The fiscal year started inauspiciously with a 17-day shutdown of the federal government due to a budget impasse. Many veterans and families were disappointed to find our overseas cemeteries closed, a situation we hope to avoid in the future. Once back in full operation, however, it was a memorable and rewarding year for all associated with the Commission's commemorative mission and operations.

We were honored to host President Obama at three of the Commission's overseas cemeteries this fiscal year: Flanders Field American Cemetery in Belgium; Manila American Cemetery in the Philippines; and Normandy American Cemetery, France. At Normandy on June 6th, the president was joined by French President Francois Hollande, Secretary of State John Kerry, Secretary of Defense Chuck Hagel and many other civilian and military dignitaries to commemorate the 70th Anniversary of the D-Day landings. Before an audience of 10,000 and more than 300 D-Day veterans, the President reflected on the scale and historical significance of June 6, 1944:

FRESH-FACED GIs RUBBED TRINKETS, KISSED PICTURES OF SWEETHEARTS, CHECKED AND RE-CHECKED THEIR EQUIPMENT. "GOD," ASKED ONE, "GIVE ME GUTS." AND IN THE PRE-DAWN HOURS, PLANES RUMBLED DOWN RUNWAYS; GLIDERS AND PARATROOPERS SLIPPED THROUGH THE SKY; GIANT SCREWS BEGAN TO TURN ON AN ARMADA THAT LOOKED LIKE MORE SHIPS THAN SEA. AND MORE THAN 150,000 SOULS SET OFF TOWARDS THIS TINY SLIVER



Max Cleland

OF SAND UPON WHICH HUNG MORE THAN THE FATE OF A WAR, BUT RATHER THE COURSE OF HUMAN HISTORY.

More than 10,000 brave souls are buried in the hallowed Normandy grounds or memorialized on the cemetery's Tablets of the Missing. It was a magnificent day on which to remember them and those that fought by their side, and to honor their achievement and sacrifice.

Other significant commemorative events this past year include the 70th anniversary of Operation Market Garden at Netherlands American Cemetery and the 70th anniversary of Operation Dragoon at Rhone American Cemetery in southern France. Not long after these

World War II events concluded, attention shifted in August to the World War I Centennial. Although the 100th anniversary of the United States entry into the Great War will not begin until April 2017, the Commission's eight World War I cemeteries in Europe will receive increased attention as visitors travel to the battlefields that saw such devastation and death.

Prior to the D-Day event, on the evening of June 5th, our Board of Commissioners cut the ribbon to dedicate a new visitor center at the Pointe du Hoc Ranger Monument, located about nine kilometers from Normandy cemetery. The center and a series of outdoor exhibits on the monument grounds tell the story of the "Boys of Pointe du Hoc"—the U.S. Army Rangers who climbed the 100-foot cliffs in the face of withering enemy fire to destroy five large German guns that could have devastated the American landing beaches, Omaha and Utah.

Ten days earlier, during Memorial Day ceremonies at Cambridge American Cemetery, England, and Sicily-Rome American Cemetery, Italy, two other new



Wearing his original uniform and jump boots, World War II veteran Clinton Riddle commemorated the 70th anniversary of Operation Market Garden at Netherlands American Cemetery with 82nd Airborne Division soldiers. During the war, Riddle served with the 325th Glider Infantry Regiment, 82nd Airborne Division.



President Obama honors the war dead at Manila American Cemetery



World War II veterans at Rhone American Cemetery participate in a ceremony commemorating the 70th anniversary of Operation Dragoon

visitor centers were dedicated. These projects are part of the Commission's efforts to improve the visitor experience at our cemeteries, providing historical context that has become increasingly important as the generations that lived through the world wars, who knew all too well the stories of courage and sacrifice that our cemeteries represent, pass into the annals of the history they helped to write. As the fiscal year ended, visitor center renovation projects at two World War I cemeteries—Meuse-Argonne in France and Flanders Field in Belgium—were in design, and two visitor center projects in the Pacific are on the horizon: one at our Honolulu Memorial in the Veterans Administration's National Memorial Cemetery of the Pacific—the Punchbowl, and one at Manila American Cemetery, our only World War II commemorative cemetery in the Pacific.

The Commission received a new mission responsibility in fiscal year 2014 with completion in December 2013 of an agreement between the U.S. and the Republic of the Philippines, giving ABMC the authority to restore and maintain Clark Veterans Cemetery in the Philippines as ABMC's 25th cemetery. The action had been directed by the Dignified Burial and Other Veterans' Benefits Improvement Act (Public Law 112-260), signed into law by President Obama in January 2013. Our staff at Manila American Cemetery began basic maintenance of the cemetery, pending completion of an engineering assessment of the restoration and long-term maintenance requirements that will form the basis for future budget requests. Public Law 112-260 authorized \$5 million to restore the cemetery, but funding has not yet been appropriated by Congress.

Three new monuments were in various stages of development during the year. A new monument to be placed at Midway Island was designed and fabricated. Installation was pending as the fiscal year ended. We launched a competition to select an architect to design a U.S. monument for New Zealand's national memorial park in Wellington. And initial planning began for a U.S. memorial in Iceland. The three are part of an initiative launched by our Board of Commissioners, with the counsel of the military service historians, to honor significant battles and achievements of U.S. forces that have not previously been commemorated by the Commission.

Closer to home, the Commission worked with the National Park Service to renovate and upgrade kiosks and educational content at the World War II and Korean War memorials on the National Mall. Visitors access ABMC's World War II Registry and Korean War Honor Roll databases at the kiosks. And phase two of the Commission's education program initiative was begun with the award of a contract to a joint venture of National History Day and the George Mason University Center for History and New Media to create a World War II-focused education program developed by teachers that will help students better understand the service, experience and sacrifice of American armed forces that served and died during the war in Northern Europe. Products related to World War I, developed in partnership with the University of North Carolina and Virginia Tech will be completed by the end of calendar year 2014.

The Commission welcomed two new members of the Board with the president's appointments of retired Army General Larry Ellis and former Assistant Secretary of the Army for Manpower and Reserve Affairs Tom Lamont. General Ellis fills the vacancy created with Commissioner Pat Foote's resignation in August 2012, while Tom replaces Commissioner Ike Skelton, who died in October 2013. And we welcomed a new member of the senior leadership team with my selection of Rob Dalessandro to fill the Senior Executive Service position of deputy secretary for headquarters operations. As a retired Army officer, former chief of the U.S. Army Center of Military History, and chairman of the U.S. World War I Centennial Commission, Rob's years of commitment to the federal government will contribute a wealth of expertise to the agency.

Our first Chairman General of the Armies John J. Pershing promised that "time will not dim the glory of their deeds." With the continuing support of the Administration and the Congress we work daily to ensure that General Pershing's promise is fulfilled. Those we honor deserve nothing less.

Godspeed.
Max Cleland

MISSION AND ORGANIZATION

The American Battle Monuments Commission (the Commission) — guardian of America's overseas commemorative cemeteries and memorials — honors the service, achievements and sacrifice of the United States armed forces. Since 1923, the Commission has executed this mission by (1) commemorating the achievements and sacrifices of America's armed forces through the erection and maintenance of suitable memorial shrines in the U.S. when authorized by Congress and where they have served overseas since April 6, 1917; (2) designing, constructing, operating, and maintaining permanent American military burial grounds in foreign countries; and (3) controlling the design and construction on foreign soil of U.S. military memorials, monuments, and markers by other U.S. citizens and organizations, both public and private, and encouraging their maintenance. The Commission's fiscal year 2014 appropriation supported its continued commitment to the worldwide responsibilities that flow from this mission.

In performance of its mission, the Commission administers, operates, and maintains 25 permanent American military cemeteries; 26 federal memorials, monuments, and markers; and eight nonfederal memorials. Three memorials are located in the United States; the remaining memorials and all of the Commission's cemeteries are located in 15 foreign countries, the U.S. Commonwealth of the Northern Mariana Islands, and the British dependency of Gibraltar. The Commission's World War I, World War II, and Mexico City cemeteries are closed to future burials except for the remains of U.S. war dead discovered in World War I and II battle areas.

In addition to grave sites, the World War I and II cemeteries, together with three memorials on U.S. soil, commemorate by name on Tablets of the Missing those U.S. service members who were missing in action or lost or buried at sea during the First and Second World Wars and the Korean and Vietnam Wars.

The Commission also administers trust funds to (1) build memorials authorized by Congress, but financed primarily from private contributions, commemorative coin proceeds, and investment earnings; (2) decorate grave sites with flowers from private contributions; and (3) maintain and repair nonfederal war memorials with private contributions.

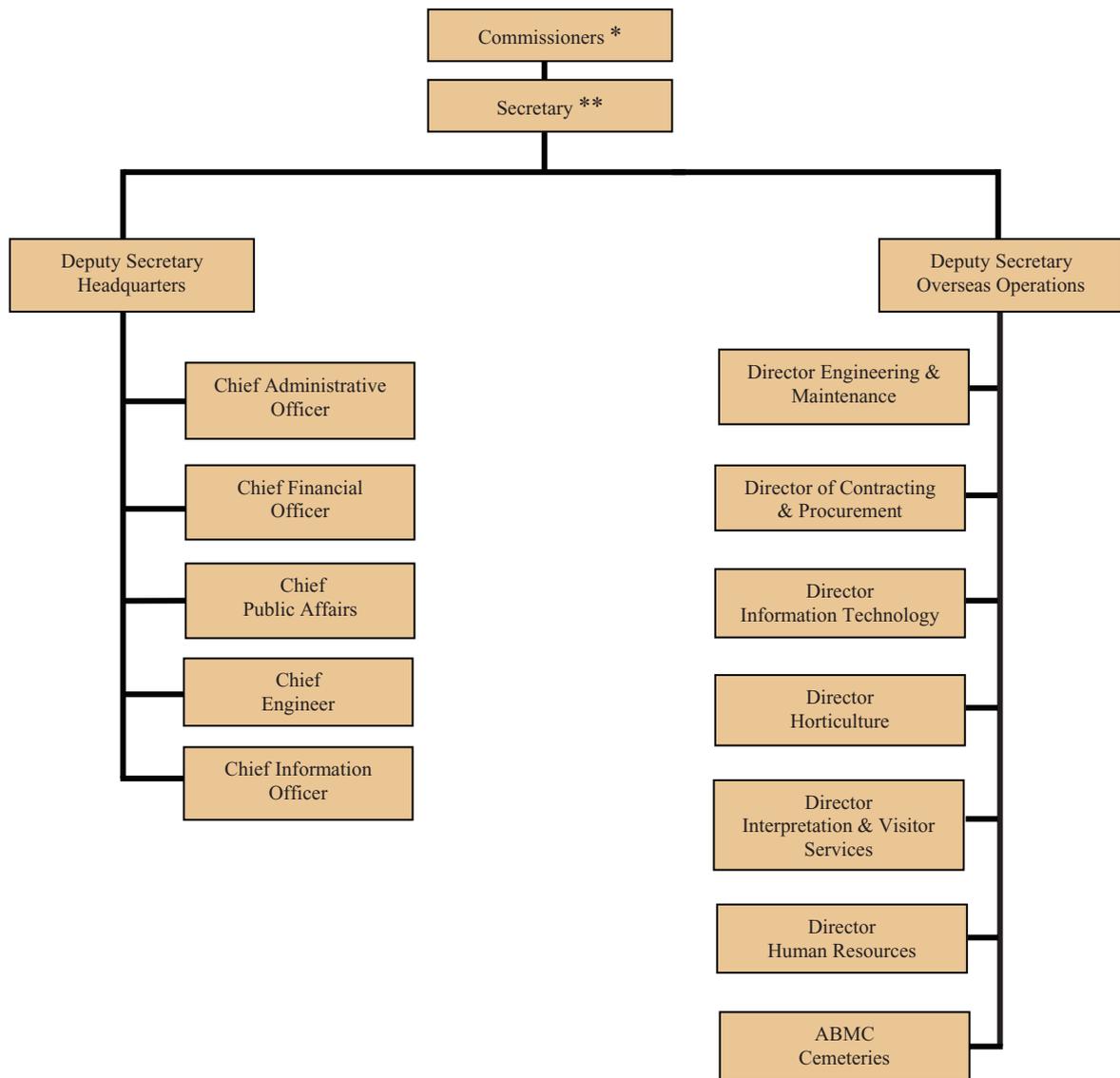
During fiscal year 2014, the Commission continued to ensure that its commemorative cemeteries and memorials remain fitting shrines to those who have served our nation in uniform since America's entry into World War I.

The Commission's mission statement:

The American Battle Monuments Commission—guardian of America's overseas commemorative cemeteries and memorials—honors the competence, courage, and sacrifice of United States armed forces.

The Commission's policy-making body consists of a Board of Commissioners comprised of up to 11 members appointed by the President of the United States for an indefinite term and who serve without pay. However, the members of the Commission may receive reimbursement for actual expenses related to the work and travel of the Commission. The commissioners establish policy and ensure proper staff functioning in carrying out the mission of the Commission. During inspection visits to Commission cemeteries, they observe, inquire about, comment upon, and make recommendations on any and all aspects of Commission operations. The Commission's daily operations are directed by an Executive Level Secretary, who is appointed by the President and assisted by two Deputy Secretaries. The Commission's organizational structure for fiscal year 2014 is shown in Figure 1.

The Commission's headquarters is in Arlington, Virginia and an Office of Overseas Operations is located in Garches, France, just outside Paris. For fiscal year 2014, the Commission had a total of 395 full-time equivalent (FTE) positions.



* Chairman and up to 10 Commissioners appointed by the President

** Appointed by the President

Figure 1. The Commission's Organizational Structure

OPERATIONS MANAGEMENT

Operations management activities in fiscal year 2014 focused on funding salaries and benefits, service fees, scheduled maintenance and repairs, supplies, materials, spare parts, replacement of uneconomically repairable equipment, and capital improvements.

For fiscal year 2014, the Commission received \$63,200,000 from appropriations in its Salaries and Expenses account. The Commission's Foreign Currency Fluctuations Account appropriation for fiscal year 2014 contained "such sums as may be necessary" language. For fiscal year 2014, the Commission estimated \$14,100,000 be used to offset currency exchange losses. Figure 2 shows how the Commission obligated funding from its Salaries and Expenses account, by object class.

The Commission has received funding for engineering, maintenance and horticulture programs that make the Commission's facilities among the most beautiful memorials in the world. These shrines to America's war dead require a formidable annual program of maintenance and repair of facilities, equipment, and grounds.

The Commission prioritizes the use of its engineering, maintenance and horticulture funds carefully to ensure the most effective and efficient utilization of its available resources. This care includes upkeep of nearly 140,000 graves and headstones and 73 memorial structures (within and external to the cemeteries) on nearly 1,700 acres of land. Additionally, the Commission maintains 65 visitor facilities and quarters for assigned personnel; 67 miles of roads and paths; and 911 acres of ornamental trees, flowering plants, shrubs and hedges, fine lawns, and meadows.

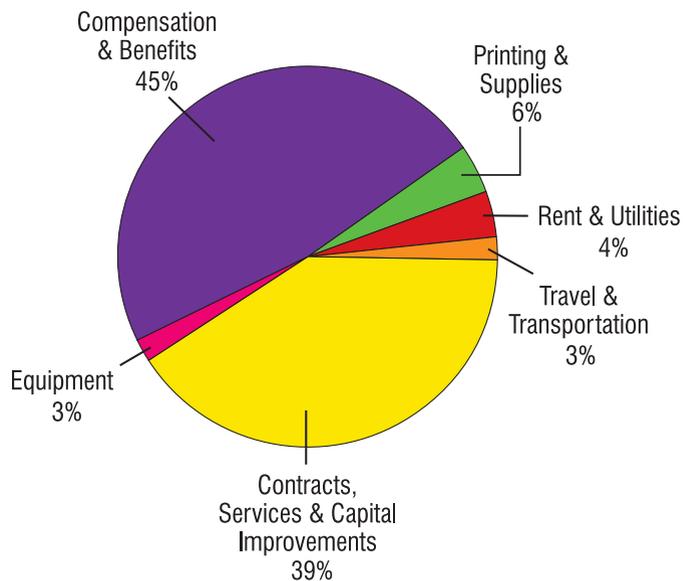


Figure 2. Fiscal Year 2014 Obligations by Object Class

Care and maintenance of these resources requires exceptionally intensive labor at the Commission's cemeteries and memorials. Compensation and benefits consumed approximately 45% of the Commission's fiscal year 2014 spending while the remaining 55% supported engineering, maintenance, horticulture, logistics, interpretation, services, supplies and other administrative costs critical to its operations.

FINANCIAL ANALYSIS**Assets**

The Consolidated Balance Sheet reflects total assets of \$91.0 million at the end of FY 2014, a decrease of \$4.6 million from the \$95.6 million at the end of FY 2013. The Fund Balance with Treasury line item decreased by \$4.6 million which is attributable to the Commission submitting a partial request of its full FY 2014 foreign currency appropriation from Treasury. The Commission submitted a partial funding request in an effort to exhaust carryover balances within the Foreign Currency Fluctuations Account. The Commission's assets reflected in the Consolidated Balance Sheet were as follows:

ASSETS BY TYPE

| | 2014 | % | 2013 | % |
|---|--------------------------|--------------------|--------------------------|--------------------|
| Fund Balance with Treasury | 89,045,631 | 98% | 93,655,559 | 98% |
| Cash and Foreign Accounts | 20,761 | 0% | 59,389 | 0% |
| Accounts Receivable and Employee Advances | 22,209 | 0% | 13,290 | 0% |
| General Property and Equipment, Net | <u>1,863,198</u> | <u>2%</u> | <u>1,881,558</u> | <u>2%</u> |
| Total Assets | <u><u>90,951,799</u></u> | <u><u>100%</u></u> | <u><u>95,609,796</u></u> | <u><u>100%</u></u> |

Liabilities

The Commission's Consolidated Balance Sheet reflects total liabilities of \$13.8 million at the end of FY 2014, which represents a slight increase from the previous year's total liabilities of \$13.7 million. Liabilities are categorized as intragovernmental liabilities or liabilities held with the public. Intragovernmental liabilities totaled \$1.4 million in fiscal year 2014 compared to \$1.2 million in fiscal year 2013. Liabilities held with the public totaled \$12.4 million in fiscal year 2014 compared to \$12.5 million in fiscal year 2013. The composition of the Commission's liabilities was as follows:

LIABILITIES BY TYPE

| | 2014 | % | 2013 | % |
|--------------------------|--------------------------|--------------------|--------------------------|--------------------|
| Accounts Payable | 9,699,663 | 70% | 10,283,609 | 75% |
| Other Liabilities | <u>4,105,943</u> | <u>30%</u> | <u>3,428,836</u> | <u>25%</u> |
| Total Liabilities | <u><u>13,805,606</u></u> | <u><u>100%</u></u> | <u><u>13,712,445</u></u> | <u><u>100%</u></u> |

Net Position

The Commission's Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position reflect a Net Position of \$77.1 million at the end of FY 2014, a 6% decrease from the \$81.9 million net position in fiscal year 2013. The decrease is mainly attributable to the decrease in Fund Balance with Treasury balances. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

Net Costs

The Commission's total net cost of operations for FY 2014 was \$74.2 million. This represents a decrease of \$3.0 million from the Commission's net cost of operations of \$77.2 million in FY 2013. The decrease is mainly attributable to the completion of construction of two new visitor centers at Cambridge and Sicily-Rome cemeteries and ongoing maintenance at the Honolulu Memorial in FY 2013.

Budgetary Resources

The Consolidated Statement of Budgetary Resources provides information on how budgetary resources were made available to the Commission for the year and the status of these resources at fiscal year-end. For the 2014 fiscal year, the Commission had total budgetary resources of \$133.9 million, which represents a 3% increase from FY 2013 levels of \$130.4 million. Gross Budget Authority of \$68.5 million consisted of \$68.3 million in appropriations received and \$0.2 million in other receipts. The Commission incurred obligations totaling \$73.9 million in fiscal year 2014 compared with FY 2013 obligations incurred of \$68.2 million.

Net Outlays reflect the actual cash disbursed against previously established obligations. For FY 2014, the Commission had net outlays of \$72.8 million, compared to \$74.7 million in net outlays in fiscal year 2013, a decrease of 3%.

Heritage Assets

Heritage assets are property, plant and equipment that are unique for one or more of the following reasons: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics.

Heritage assets are significant to the mission of the Commission, which is to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories: cemeteries, federal memorials, and nonfederal memorials. Through September 30, 2014, the Commission had 25 cemeteries, 26 federal memorials and 8 nonfederal memorials. Presently, nearly 140,000 war dead and others are interred in these cemeteries. Commemorated individually by name on stone tablets at the cemeteries and federal memorials are over 94,000 war dead, whose remains were not recovered. The cemeteries and federal memorials encompass nearly 1,700 acres. This land is provided to the Commission through host nation agreements for permanent use as cemeteries and memorials.

HIGH PRIORITY PERFORMANCE GOALS AND RESULTS

Summarized below are the Commission's performance goals and results.

Goal 1: Provide an inspirational and educational visitor experience through effective outreach and interpretive programs.

Objectives for Goal 1

- Educate the public about the Commission's mission, and the competence, courage, and sacrifice of those honored at the agency's commemorative sites.
- Increase visitation to the Commission's cemeteries, memorials, and website.
- Educate and train all employees who provide visitor services in interpretive skills.
- Leverage international events and relevant anniversary dates to interpret the Commission's cemeteries.
- Satisfy constituents' needs through timely distribution of information and products.

Strategy for Achieving Goal 1

We will develop educational materials and new technology capabilities to improve visitor education programs, both on-site and on our website. We will expand Web marketing and public/media outreach to increase visitation to our website and memorial sites. We will also develop a methodology to count visitors so that we can document both on-site and website visitation. We will expand training and mentoring opportunities to enhance professional and personal development of our employees. We will also create historical reference libraries to assist in the interpretive mission. We will leverage upcoming milestones to increase the public reach of the interpretive initiative, including D-Day, Memorial Day, Veterans Day, the 100th anniversary of World War I, and the 70th anniversary of World War II. We will automate frequently requested services for our constituents in order to improve on-site and website customer service.

Selected Performance Results toward Achieving Goal 1

- Work under a contract to produce 18 educational military campaign interactive programs for the agency website and visitor centers continued to move forward during the fiscal year. Two campaign interactive programs related to the Battle of the Atlantic and the Combined Bomber Offensive Over Europe were completed for inclusion in the new visitor centers at Cambridge American Cemetery and Sicily-Rome American Cemetery; both visitor centers opened Memorial Day this year. A third campaign interactive covering the Sicilian Campaign is near completion. Web versions of these three recent campaign interactive maps will be posted on the agency website by January 2015. The agency continues to move forward with new mobile applications. A mobile application for Normandy American Cemetery is near completion. Others for Meuse-Argonne, Cambridge, Sicily-Rome and Flanders Field American Cemeteries are in progress.
- Although delayed by database development issues, the redesigned agency website premiered in the spring of 2014 and was accompanied by a consolidated burial database with new and more robust search features.
- An education initiative was begun in July 2013 with award of a contract to a University of North Carolina/Virginia Tech joint venture. The project involves twelve middle and high school teachers and seven university mentors to develop curricula for middle and high school teachers using Commission products. The initial focus is on World War I curricula, as we approach the four-year centennial of The Great War. Products and materials will be previewed at the 2014 National Council of Social Studies Conference in Boston this November. Final products are scheduled to be available on the ABMC website by February 2015.

- A second education initiative was started in July 2014 with award of a contract to a joint venture between National History Day and George Mason University. Similar to the World War I education initiative, this program will focus on World War II in Northern Europe and involves 18 teachers recruited from across the United States.
- Interest from military units, veterans groups, and local citizens and organizations continued, as they took opportunities to pay tribute to those honored at the Commission’s cemeteries by visiting individually or participating in ceremonies and “adopt a grave” programs.
- The Commission continued to respond to customer requests for lithographs, no-fee passport authorizations, flower placements, and general information about the overseas cemeteries and memorials we administer. It is interesting to note that requests for no-fee passports increased dramatically this fiscal year, demonstrating a revived interest amongst next of kin to visit America’s overseas cemeteries.

Goal 2: Develop, operate, maintain, and improve the Commission’s facilities as the world’s best commemorative sites.

Objective for Goal 2

- Review and evaluate facilities and execute approved maintenance, repair, and improvements.

Strategy for Achieving Goal 2

We will continue to operate, maintain, and improve the Commission’s facilities and infrastructure in like-new condition, and implement our evaluation processes to ensure compliance with our high standards. We will work to reduce the growth of operational and routine maintenance costs and promote more effective long-term planning, operations, and resource management.

Selected Performance Results toward Achieving Goal 2

- The following are examples of the engineering, maintenance and horticulture projects executed in fiscal year 2014:
 - Renovate the 700lm perimeter wall at Flanders Field. Project value is \$288k.
 - Complete the travertine cleaning of the Bridge, the Visitor Building, and the Office Building at Florence American Cemetery. Project value is \$178k.
 - Award and construct new exterior public bathroom including paths at Luxembourg American Cemetery. The construction was funded during FY14 and will continue through FY15. Project value is \$267k.
 - Award the renovation work of the Netherlands American Cemetery service area. The work will be completed in August 2015. Project value is \$1,081k.
 - Renovate the service area at Mexico City National Cemetery. Project value is \$163k.
 - Renovate the Battle Maps and the Overlook Table at Normandy American Cemetery. The contract was awarded this fiscal year and will continue through FY15. Project value is \$413k.
 - Construct new external public bathroom at Normandy American Cemetery. This project started this year and will continue through FY15. Project value is \$166k.
 - Complete the resurfacing of the cemetery paths in the plot area at Saint Mihiel American Cemetery. Project value is \$225k.
 - The upgrading of the external bathrooms at Sicily-Rome American Cemetery. Project value is \$104k.
- The Commission continued a headstone refurbishing program to keep the headstones in “like new” condition with the purchase of more than 600 Carrara headstones for World War I cemeteries and 750 Lasa headstones for the World War II Manila American Cemetery.

Goal 3: Attract and retain quality employees through personal and professional investment and development.

Objectives for Goal 3

- Establish baseline employee satisfaction through an employee survey.
- Ensure timely and effective employee recognition.
- Implement an enhanced performance management program with annual performance work plans tied to the strategic plan.
- Balance employee personal and professional responsibilities through work/life initiatives.
- Implement a professional development program responsive to agency and employee needs.

Strategy for Achieving Goal 3

We will implement a professional training and development program, clearly map employee roles and responsibilities to the components of our strategic plan, develop a better understanding of employee needs and satisfaction, and make sure that truly outstanding performance is appropriately recognized.

Selected Performance Results toward Achieving Goal 3

- The Commission introduced an agency-wide review of its recognition and awards policy. An Outstanding Employee Award, spot awards, and non-cash recognitions are being developed to encourage the nomination of employees on a regular cycle for contributions made to mission accomplishment.
- For fiscal year 2014, the agency implemented a three-tier Performance Appraisal Program to recognize demonstrably outstanding performance.
- The Commission made progress in developing needed Human Resources policies, while streamlining/establishing procedures required for the proper functioning of a good Human Resources program. A policy was issued on position management, delegations, workforce allocation, and reporting.

- The Commission continues to make progress in providing management and supervisory training to its most visible and important positions—our cemetery superintendents—by the use of carefully crafted individual development plans (IDPs). IDPs also will be developed for all Commission employees.
- Completed the first internally sponsored Employee Satisfaction Survey, which will be used for improving management of ABMC programs. It will act as a baseline for future surveys and rely on annual Office of Personnel Management surveys.

Goal 4: Continually improve business and resource management practices.

Objectives for Goal 4

- Effectively manage resources.
- Modernize business processes to utilize new technologies and IT practices.
- Formalize processes for development and promulgation of policies and procedures.
- Modernize the Financial Management System and fully utilize the capabilities of the new system.

Strategy for Achieving Goal 4

We will focus our efforts on standardizing core processes, identifying opportunities to use technology to streamline their execution, improving our organizational standards for site evaluation, and regularly reviewing each site for compliance with standards.

Selected Performance Results toward Achieving Goal 4

- The Commission's allocation processes and procedures annually fully fund its mandatory and operational requirements in order to achieve its mission requirements.
- During fiscal year 2014, the Commission continued an effort to enhance the financial management system reporting functionality.

STATEMENTS AND CONTROLS

Financial Statements and Limitations

The Commission is required to obtain an independent audit of its financial statements under the Accountability of Tax Dollars Act of 2002. The Commission has selected Harper, Rains, Knight and Company to conduct its FY 2014 financial audit.

The financial statements have been prepared to report the financial position and results of operations of the Commission, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the Commission in accordance with generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget, 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 understanding that the Commission is a component of the U.S. Government, a sovereign entity.

Management Assurances: Systems, Controls, Legal Compliance

The Commission is cognizant of the importance of, and need for, management accountability and responsibility as the basis for quality and timeliness of program performance, mission accomplishment, productivity, cost-effectiveness, and compliance with applicable laws. It has taken management actions to ensure that the annual evaluation of these controls is performed in a conscientious and thorough manner according to Office of Management and Budget regulations and guidelines and in compliance with 31 U.S.C. 3512 (c), (d), commonly known as the Federal Manager's Financial Integrity Act (FMFIA). The objectives of the Commission's internal management control policies and procedures are to provide reasonable assurance that

- obligations and costs are in compliance with applicable law;
- funds, property, and other assets are safeguarded against waste, loss, unauthorized use, and misappropriation;
- revenue and expenditures applicable to agency operations are promptly recorded and accounted for; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

Based on its evaluation, the Commission concluded that there is reasonable assurance that its internal control over effectiveness and efficiency of operations as of September 30, 2014 was operating effectively and met the objectives of both Sections 2 and 4 of the FMFIA except for two material weaknesses related to review of financial transactions and the monitoring process over internal control over financial reporting. In addition, the Commission found two instances of noncompliance with applicable laws and regulations. The Commission was not in compliance with the reporting requirements under the Federal Information Security Management Act of 2002 (FISMA), and the Commission is not properly charging its Foreign Currency Fluctuation Account (FCFA) for fluctuations in foreign currency exchange rates related to payments made in foreign currencies. These material weaknesses and instances of noncompliance were also reported in FY 2013. Senior management, the Chief Financial Officer and the Director of Information Technology have been collaborating and monitoring corrective actions. Although progress was made in FY 2014, the same conditions substantially existed during FY 2014. The reasonable assurance concept recognizes that the cost of internal controls should not exceed the benefits expected to be derived and that the benefits reduce the risk of failing to achieve stated objectives.

Future Effects, Risks, and Uncertainties

Changes in the rate of exchange for foreign currencies have a significant impact on the Commission's day-to-day operations. In order to insulate the Commission's annual appropriation against major changes in its purchasing power, legislation was enacted in 1988 (codified in 36 U.S.C. 2109) to establish a foreign currency fluctuation account in the U.S. Treasury. However, since the summer of 2006, the U.S. dollar has fallen precipitously against the euro. The Commission has been closely monitoring this because its budget is disproportionately affected by foreign currency fluctuation. Legislation was enacted which included "such sums as may be necessary" language for the Commission's fiscal year 2014 FCFA appropriation. This allows the Commission

to preserve its purchasing power against a suddenly falling U.S. dollar against the euro. With this language the Commission will continue to estimate and report its FCFA requirements as it has in the past. However, when a need arises where the amount forecast by the Commission for this account is insufficient, the Commission will submit an adjusted estimate to the Office of Management and Budget, and then to the Congress.

Overall, by maintaining close scrutiny of the Commission's obligation status, as well as monitoring and distributing the Foreign Currency Fluctuation Account balance, the Commission reduces its overall future financial risk to continued operations.



Florence American Cemetery (Don Savage)



A B-17 propeller is among the exhibits at a new visitor center at Cambridge American Cemetery, dedicated on Memorial Day 2014 (Warrick Page)

FISCAL YEAR 2014

FINANCIAL STATEMENTS AND NOTES



Independent Auditors' Report

Chairman and Secretary
American Battle Monuments Commission

Report on the Financial Statements

We have audited the accompanying consolidated balance sheets of the American Battle Monuments Commission (ABMC), as of September 30, 2014 and 2013, and the related consolidated statements of net cost, and changes in net position, and combined statements of budgetary resources, for the fiscal years then ended 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 general accepted accounting principles 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 including the accompanying notes, present fairly, in all material respects, the financial position of the American Battle Monuments Commission as of September 30, 2014 and 2013, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Generally accepted accounting principles in the United States of America require that the information in the Management's Discussion and Analysis, and Required Supplementary Information 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Secretary's Message section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ABMC's internal control over financial reporting (internal control) to determine the 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 ABMC's internal control. Accordingly, we do not express an opinion on the effectiveness of ABMC's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material

Internal Control over Financial Reporting - continued

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 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. During our audit, we did identify deficiencies in internal control that we consider to be material weaknesses, described in Exhibit I.

We noted certain additional matters that we will report to management of ABMC in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABMC's financial statements are free from material misstatement, we performed tests of its compliance with certain 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, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. 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.

Our tests disclosed two areas of noncompliance that is reportable under U. S. generally accepted government auditing standards. ABMC is not properly charging its Foreign Currency Fluctuation Account (FCFA) for fluctuations in foreign currency exchange rates related to payments made in foreign currencies and ABMC has not complied with reporting requirements required by the Federal Information Security Management Act of 2002 (FISMA). Therefore, ABMC is not in compliance with (1) Section 2109 of Title 36, United States Code, which authorizes the use of Foreign Currency Fluctuation Account funds for payments of salaries and expenses exceeding the amount appropriated for these expenses because of foreign currency exchange rate fluctuations occurring after a budget request is submitted to congress, (2) the Consolidated Appropriations Act, 2013, which appropriated an unlimited amount of FCFA funds for those purposes authorized by Section 2109 of Title 36, United States Code, and (3) FISMA, authorized by Section 3541 of Title 44, United States Code.

ABMC's Responses to Findings

ABMC's responses to the findings identified in our audit are described in Exhibit I. ABMC's responses were not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the responses.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section 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 ABMC's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

Harper, Rainis, Knight & Company, P.A.

1. Review of Financial Transactions

ABMC did not effectively review transactions to ensure that the transactions were accurate, valid, complete, and recorded in the appropriate accounting period. However, we were able to obtain sufficient, appropriate evidence that the related general ledger balance was not materially misstated.

Management's Response: ABMC has hired a contractor to develop policies and standard operating procedures. Implementation of policies and procedures will occur within FY 2015.

Auditors' Response: FY 2015 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.

2. Ineffective Internal Control over Financial Reporting

During fiscal year 2014, ABMC did not have an adequate process for monitoring the design and operating effectiveness of its internal control to identify, evaluate, and correct internal control deficiencies. For example, ABMC did not:

- consider its internal control environment, which entails such elements as the tone at the top, ethical standards, and personnel management, and which can have a significant effect on how the organization functions and the integrity of its financial accounting and reporting;
- adequately assess the risk of material misstatement to its financial statements;
- document its OMB A-123 approach for assessing its internal control, or provide sufficient, appropriate evidence to support its conclusions on the effectiveness of its internal control activities; or
- establish a corrective action plan or process for addressing deficiencies that have been identified.

In addition to not adequately monitoring its in-house control processes, ABMC did not adequately document and monitor the effectiveness of internal controls at the service organizations that performed significant aspects of its financial transaction processing and reporting, including processing its federal employee payroll transactions, reconciling its fund balance with the Treasury, and preparing its annual financial statements. Specifically, ABMC did not evaluate the service organizations' service auditor reports that contained information on the service organizations' controls and the effectiveness of those controls, and did not consider the impact of the findings and conclusions contained in the service auditor reports on the effectiveness of its internal control. Further, ABMC did not design and implement appropriate complementary user entity controls that were identified by the service auditors.

Management's Response: ABMC has hired a contractor to assist in establishing an internal control review program to ensure compliance with FMFIA. The results of the internal control review will occur within FY 2015.

Auditors' Response: FY 2015 audit procedures will determine whether the corrective actions have been implemented and are operating effectively.

Status of Prior Year Findings
Exhibit II

AMERICAN BATTLE MONUMENTS COMMISSION

Status of Prior Year Findings

September 30, 2014

| Title of Finding from FY13 Audit Report | Prior Year Status | Current Year Status |
|---|---|----------------------------|
| Review of financial transactions | Material Weakness | Material Weakness |
| Monitoring process over internal control over financial reporting | Material Weakness | Material Weakness |
| Foreign Currency Fluctuation Account | Noncompliance with laws and regulations | Noncompliance |
| Federal Information Security Management Act of 2002 | Noncompliance with laws and regulations | Noncompliance |

**AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATED BALANCE SHEETS**

As of September 30, 2014 and 2013

(in dollars)

| | 2014 | 2013 |
|---|---------------|---------------|
| Assets: | | |
| Intragovernmental: | | |
| Fund balance with Treasury (Note 2) | \$ 89,045,631 | \$ 93,655,559 |
| Total intragovernmental | 89,045,631 | 93,655,559 |
| Cash and other monetary assets (Note 3) | 20,761 | 59,389 |
| Accounts receivable, net | - | 4,747 |
| General property and equipment, net (Note 5) | 1,863,198 | 1,881,558 |
| Other | 22,209 | 8,543 |
| Total assets | \$ 90,951,799 | \$ 95,609,796 |
| Stewardship PP&E (Note 1,I, 6) | | |
| Liabilities: | | |
| Intragovernmental: | | |
| Accounts payable | \$ 1,147,815 | \$ 915,520 |
| Other (Note 7) | 277,583 | 282,313 |
| Total intragovernmental | 1,425,398 | 1,197,833 |
| Accounts payable | 8,551,848 | 9,368,089 |
| Other (Note 7) | 3,828,360 | 3,146,523 |
| Total liabilities | 13,805,606 | 13,712,445 |
| Commitments and contingencies | | |
| Net position: | | |
| Unexpended appropriations-All Other Funds | 70,901,503 | 74,807,949 |
| Cumulative results of operations-Funds from Dedicated Collections | 6,833,002 | 7,564,545 |
| Cumulative results of operations-All Other Funds | (588,312) | (475,143) |
| Total net position | \$ 77,146,193 | \$ 81,897,351 |
| Total liabilities and net position | \$ 90,951,799 | \$ 95,609,796 |

The accompanying notes are an integral part of these statements.

AMERICAN BATTLE MONUMENTS COMMISSION
CONSOLIDATED STATEMENTS OF NET COST

For the Years Ended September 30, 2014 and 2013

(in dollars)

| | <u>2014</u> | <u>2013</u> |
|-------------------------------------|----------------------|----------------------|
| Gross Program costs: | | |
| Operations and Maintenance: | | |
| Gross costs | \$ 74,324,084 | \$ 77,314,848 |
| Less: earned revenue | 107,558 | 144,759 |
| Net cost of operations (Note 9, 17) | <u>\$ 74,216,526</u> | <u>\$ 77,170,089</u> |

The accompanying notes are an integral part of these statements.

AMERICAN BATTLE MONUMENTS COMMISSION CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2014 and 2013

(in dollars)

| | 2014 | 2013 |
|---|--------------|---------------|
| Cumulative Results of Operations: | | |
| Beginning Balance (includes Funds from Dedicated Collections of \$7,564,545 in FY 2014 and \$11,247,246 in FY 2013 (Combined Totals) - See Note 15) | \$ 7,089,402 | \$ 10,947,456 |
| Budgetary Financing Sources: | | |
| Appropriations used | 71,577,659 | 72,598,401 |
| Non-exchange revenue | (4,747) | - |
| Donations and forfeitures of cash and cash equivalents | 624,808 | 305,605 |
| Other Financing Sources (Non-Exchange): | | |
| Imputed financing (Note 12) | 1,174,094 | 408,029 |
| Total Financing Sources (includes Funds from Dedicated Collections of \$598,316 in FY 2014 and \$268,528 in FY 2013 (Combined Totals) - See Note 15) | 73,371,814 | 73,312,035 |
| Net Cost of Operations (includes Funds from Dedicated Collections of \$1,329,859 in FY 2014 and \$3,951,229 in FY 2013 (Combined Totals) - See Note 15) | (74,216,526) | (77,170,089) |
| Net Change Other Financing Sources (Non-Exchange) | (844,712) | (3,858,054) |
| Cumulative Results of Operations (includes Funds from Dedicated Collections of \$6,833,002 in FY 2014 and \$7,564,545 in FY 2013 (Combined Totals) - See Note 15) | 6,244,690 | 7,089,402 |
| Unexpended Appropriations: | | |
| Beginning Balance (includes Funds from Dedicated Collections of \$0 in FY 2014 and \$0 in FY 2013 (Combined Totals) - See Note 15) | 74,807,949 | 74,035,804 |
| Budgetary Financing Sources: | | |
| Appropriations received | 67,656,800 | 79,375,000 |
| Appropriations transferred in/out | 14,413 | - |
| Other adjustments | - | (6,004,454) |
| Appropriations Used | (71,577,659) | (72,598,401) |
| Total Budgetary Financing Resources (includes Funds from Dedicated Collections of \$0 for 2014 and \$0 in FY 2013 (Combined Totals) - See Note 15) | (3,906,446) | 772,145 |
| Total Unexpended Appropriations (includes Funds from Dedicated Collections of \$0 in FY 2014 and \$0 in FY 2013 (Combined Totals) - See Note 15) | 70,901,503 | 74,807,949 |
| Net Position | 77,146,193 | 81,897,351 |

The accompanying notes are an integral part of these statements.

AMERICAN BATTLE MONUMENTS COMMISSION COMBINED STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2014 and 2013

(in dollars)

| | 2014 | 2013 |
|---|----------------|----------------|
| Budgetary Resources: | | |
| Unobligated balance brought forward, Oct 1 | \$ 62,198,126 | \$ 53,410,437 |
| Recoveries of prior year unpaid obligations | 3,218,376 | 2,858,164 |
| Unobligated balance from prior year budget authority, net | 65,416,502 | 56,268,601 |
| Appropriations (discretionary and mandatory) | 68,255,116 | 74,123,677 |
| Spending authority from offsetting collections (discret. and mandat.) | 201,632 | 42,193 |
| Total budgetary resources | \$ 133,873,250 | \$ 130,434,471 |
| Status of Budgetary Resources: | | |
| Obligations Incurred (Note 13) | \$ 73,891,649 | \$ 68,236,345 |
| Unobligated balance, end of year: | | |
| Apportioned | 54,254,238 | 55,228,422 |
| Exempt from apportionment | 5,727,363 | 6,969,704 |
| Total unobligated balance, end of year | 59,981,601 | 62,198,126 |
| Total budgetary resources | \$ 133,873,250 | \$ 130,434,471 |
| Change in Obligated Balance: | | |
| Unpaid Obligations: | | |
| Unpaid obligations, brought forward, October 1 (gross) | \$ 31,457,800 | \$ 40,799,206 |
| Obligations incurred (Note 13) | 73,891,649 | 68,236,345 |
| Outlays (gross) | (73,046,282) | (74,719,587) |
| Recoveries of prior year unpaid obligations | (3,218,376) | (2,858,164) |
| Unpaid obligations, end of year (gross) | 29,084,791 | 31,457,800 |
| Memorandum (non-add) entries: | | |
| Obligated balance, start of year | 31,457,800 | 40,799,206 |
| Obligated balance, end of year | \$ 29,084,791 | \$ 31,457,800 |
| Budget Authority and Outlays, Net: | | |
| Budget authority, gross (discretionary and mandatory) | \$ 68,456,748 | \$ 74,165,870 |
| Actual offsetting collections (discretionary and mandatory) | (201,632) | (42,193) |
| Budget authority, net (discretionary and mandatory) | \$ 68,255,116 | \$ 74,123,677 |
| Outlays, gross (discretionary and mandatory) | \$ 73,046,282 | \$ 74,719,587 |
| Actual offsetting collections (discretionary and mandatory) | (201,632) | (42,193) |
| Agency outlays, net (discretionary and mandatory) | \$ 72,844,650 | \$ 74,677,394 |

The accompanying notes are an integral part of these statements.

American Battle Monuments Commission

Notes to Consolidated Financial Statements

For the Fiscal Years Ended September 30, 2014 and 2013

(in dollars)

Note 1. Significant Accounting Policies

A. Basis of Presentation

The accompanying consolidated financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of the American Battle Monuments Commission (the Commission) in conformity with U.S. generally accepted accounting principles as used by the federal government. There are no intra-entity transactions to be eliminated. Certain assets, liabilities, and costs have been classified as intragovernmental throughout the financial statements and notes. Intragovernmental is defined as transactions made between two reporting entities within the federal government.

B. Reporting Entity and Funding Sources

The Commission is an independent agency within the executive branch of the federal government and was created by the Act for creation of the American Battle Monuments Commission, March 4, 1923, 67 P.L. 534; 42 Stat. 1509; 67 Cong. Ch. 283, the current provisions of which are now codified in 36 U.S.C. Chapter 21. The Commission's mission is to commemorate the sacrifices and achievements of U.S. Armed Forces where they have served overseas since April 6, 1917, the date of the United States entry into World War I, and at locations within the United States and North America when directed by the Congress. The Commission designs, administers, constructs, operates, and maintains 25 American military cemeteries and 26 federal memorials, monuments, and markers (herein collectively referred to as memorials). Three of the memorials are located in the United States while all of the cemeteries and the remaining memorials are located on foreign soil in 15 foreign countries, the Marianas, and Gibraltar. The Commission is also responsible for maintaining 8 nonfederal memorials with funds received from the memorials' sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through offices located near Paris, France and Rome, Italy.

The Commission also had responsibility for designing and constructing the National World War II Memorial located on the Mall in Washington, D.C. In accordance with 40 U.S.C. 8906(b), the Commission deposited funds into a separate Treasury account to offset the memorial's costs of perpetual maintenance. On November 1, 2004, the Commission signed an agreement with the National Park Service to formally transfer the National World War II Memorial to the Service for its future care and maintenance. The Commission is responsible for remaining funds residing in a trust fund in the U.S. Treasury to be used solely to benefit the World War II Memorial for other than routine maintenance expense.

Commission programs are funded primarily through appropriations available without fiscal year limitation (no-year). The Commission also administers several trust funds established to: (1) build memorials authorized by the Congress, but which are funded primarily by private contributions, commemorative coin sales proceeds, and investment earnings; (2) decorate gravesites; and (3) maintain and repair certain nonfederal war memorials.

C. Basis of Accounting

The Commission's proprietary accounts (assets, liabilities, equity, revenue, and expenses) are maintained on the accrual basis, where appropriated funds are accounted for by appropriation year; operating expenses are recorded as incurred; and depreciation is taken on property, and equipment not otherwise classified as heritage assets. Commission budgetary accounts are maintained on a budgetary basis, which facilitates compliance with legal constraints and statutory funds control requirements. The functional budget classification is Veterans' Benefits and Services.

D. Fund Balance with Treasury

The Commission's cash receipts and disbursements are processed by the U.S. Treasury. Fund balances with Treasury are composed of appropriated general funds, appropriated foreign currency fluctuation funds, and trust funds. The Fund balance with Treasury is the aggregate amount for which the Commission is authorized to make expenditures and pay liabilities.

E. Foreign Currency

The Commission's overseas offices maintain accounts of foreign currencies to be used in making payments in foreign countries. Amounts are recorded at a standard budget rate in U.S. dollars and a gain or loss recognized when paid in foreign currency. Appropriated monies are transferred from the Commission's Foreign Currency Fluctuation Account to fund net currency losses. Cash accounts in foreign currencies are reported at the U.S. dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year.

F. Contributions and Revenue Recognition

The Commission recognizes unrestricted contributions or unconditional promises to give as revenue in the period of the initial pledge when sufficient verifiable evidence of the pledge exists. Conditional promises to give are recorded as revenue when the condition has been met. Unconditional promises to give may be temporarily restricted or permanently restricted. Temporarily restricted promises to give are released from restriction when the conditions have been met. Permanently restricted promises to give are recorded as revenue in the period donated; however, donors generally allow only the earned income to be used for general or specific purposes. In-kind contributions of goods and services are recognized at fair value by the Commission at the time the goods are received or the services are performed. Multiyear contributions due over a period of time are discounted to their present value based upon the short-term Treasury interest rate.

G. Operating Materials and Supplies

The Commission has determined that operating materials and supplies located at its cemeteries are not significant amounts and that it is more cost beneficial to record them on the purchase method of accounting whereby items are expensed as purchased rather than when consumed. Consequently, the Commission reports no operating materials or supplies inventories.

H. General Property and Equipment

General property and equipment is composed of real and personal property. Related purchases exceeding \$25,000 are capitalized and depreciated on a straight line basis over the useful life of the item, which for (1) personal property is considered to be 5 years, and (2) real property is considered to be 30 years. Purchases of general property and equipment of \$25,000 or less are expensed in the period of acquisition.

I. Heritage Assets

Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The Commission considers its cemeteries, and federal memorials, monuments, and markers acquired through purchase or donation to be noncollection heritage assets. Heritage assets acquired through purchase or donation are accounted for in the Commission's property records, and are not presented in the balance sheet. Withdrawals of heritage assets are recorded upon formal agreement with recipients. Additional disclosure on individual heritage asset cemeteries and memorials are found in the Schedules of Heritage Assets presented as unaudited other information. Cemetery land is owned by the foreign countries in which cemeteries are located and is provided to the United States in perpetuity.

J. Employee Benefits

The Commission's civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. The Commission's civilian U.S. nationals hired on or before December 31, 1983, could elect to transfer to FERS or remain with the Civil Service Retirement System (CSRS). For FERS employees, the Commission withholds .80 percent of base pay and as employer contributes 11.9 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission withholds 6.2 percent from FERS employees' earnings. In addition, the Commission contributes 7.65 percent and remits the total amount to the Social Security Administration. The Commission withholds 7.00 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings and as employer contributes 7.00 percent of base pay plus 1.45 percent for Medicare. These deductions are then remitted to the Office of Personnel Management (OPM) and the Social Security Administration. OPM is responsible for government wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

On April 1, 1987, the federal government instituted the Thrift Saving Plan (TSP), a retirement savings and investment plan for employees covered by FERS and CSRS. The Commission contributes a minimum of 1 percent of FERS employees' base pay to TSP. For 2014, FERS employees could contribute up to \$17,500 (\$23,000 if at least age 50) on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. For 2014, CSRS employees may also contribute up to \$17,500 (\$23,000 if at least age 50) on a tax-deferred basis; however, they receive no matching contribution from the Commission. Retirement and other benefits for the Commission's foreign national employees are paid by the Commission in accordance with the provisions of 10 host nation agreements negotiated by the U.S. Department of State.

Annual leave is accrued as earned, and the resulting unfunded liability is reduced as leave is taken. Separation pay is provided in certain countries according to host nation agreements. Separation pay is accrued as earned, and the resulting unfunded liability is reduced when paid to the foreign national leaving the employ of the Commission. Each year balances in the accrued separation pay and annual leave accounts are adjusted to reflect current pay rates. To the extent that current or prior year appropriations are not available to fund annual leave and separation pay, funding will be obtained from future financing resources. Sick leave and other types of unvested leave are expensed when incurred.

K. Program Costs

Program costs are broken out into two categories - "Intragovernmental" and "With the Public". Intragovernmental costs are costs the Commission incurs through contracting with other federal agencies for goods and/or services, such as rent paid to U.S. Department of State, payroll processing services received from the U.S. General Services Administration (GSA), and costs for retirement and other benefits paid by OPM. With the Public costs are costs the Commission incurs through contracting with the private sector for goods or services, payments for employee salaries, depreciation, annual leave and other non-Federal entity expenses.

L. Use of Estimates

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

Note 2. Fund Balance with Treasury

All undisbursed account balances with the U.S. Treasury, as reflected in the Commission's records, as of September 30 are available and were as follows:

| Fund Balance: | 2014 | 2013 |
|---|----------------------|----------------------|
| General Fund | \$ 65,298,540 | \$ 66,169,295 |
| Foreign Currency Fluctuation Fund | 16,837,604 | 19,837,604 |
| Trust Fund (Note 15) | 6,909,487 | 7,648,660 |
| Total Fund Balance with Treasury | \$ 89,045,631 | \$ 93,655,559 |

Status of Fund Balance with Treasury

Unobligated Balance:

| | | |
|---|----------------------|----------------------|
| Available | \$ 59,960,840 | \$ 62,138,738 |
| Unavailable | - | 59,021 |
| Obligated Balance Not Yet Disbursed | 29,084,791 | 31,457,800 |
| Total Status of Fund Balance with Treasury | \$ 89,045,631 | \$ 93,655,559 |

Note 3. Cash and other Monetary Assets

Outside the United States, the Commission makes payments in U.S. and foreign currencies through imprest cash funds and Treasury-designated depository commercial bank accounts, which as of September 30 were as follows:

| | 2014 | 2013 |
|-----------------------|------------------|------------------|
| Imprest Cash Funds | \$ 20,761 | \$ 1,194 |
| Foreign Bank Accounts | - | 58,195 |
| | \$ 20,761 | \$ 59,389 |

Note 4. Contributions Receivable

The Commission has a pledge from a living trust valued at \$140,754 as of September 30, 2014. However, due to the uncertainty of time and amount when the pledge is collected, the contribution will be recognized when received. In comparison, the pledge as of September 30, 2013 was valued at \$143,988.

Note 5. General Property and Equipment

Non-capitalized assets, such as general property and equipment acquisitions with an aggregate cost basis of \$25,000 or less and all acquisitions of heritage assets, totaling \$2,005,175 were expensed by the Commission in fiscal year 2014. In fiscal year 2013, \$1,146,310, was expensed.

Since the 1960s, the Commission's Office of Overseas Operations near Paris, France, has occupied a residential structure owned by the U.S. Department of State. The Commission is responsible for all utilities, maintenance, and repairs.

General property and equipment as of September 30 is as follows:

| Category | 2014 | | | 2013 | | |
|--|---------------------|--------------------------|---------------------|---------------------|--------------------------|---------------------|
| | Cost | Accumulated Depreciation | Net | Cost | Accumulated Depreciation | Net |
| Buildings, Improvements, and Renovations | \$ 923,460 | \$ 317,853 | \$ 605,607 | \$ 923,460 | \$ 287,071 | \$ 636,389 |
| Equipment | 4,830,986 | 3,573,395 | 1,257,591 | 4,544,725 | 3,318,988 | 1,225,737 |
| Info. Tech. Software | 384,951 | 384,951 | - | 384,951 | 365,519 | 19,432 |
| | <u>\$ 6,139,397</u> | <u>\$ 4,276,199</u> | <u>\$ 1,863,198</u> | <u>\$ 5,853,136</u> | <u>\$ 3,971,578</u> | <u>\$ 1,881,558</u> |

Note 6. Heritage Assets

Heritage assets are significant to the mission of the Commission to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories; cemeteries, federal memorials, and nonfederal memorials. Changes in heritage assets for fiscal year 2014 were as follows:

| | Cemeteries | Federal Memorials | Non-Federal Memorials |
|------------------------------------|------------|-------------------|-----------------------|
| Beginning of Year 10-1-13 | 24 | 26 | 8 |
| Number Acquired, Fiscal Year 2014 | 1 | 0 | 0 |
| Number Withdrawn, Fiscal Year 2014 | 0 | 0 | 0 |
| End of Year 9-30-14 | <u>25</u> | <u>26</u> | <u>8</u> |

Note 7. Other Liabilities

Other liabilities as of September 30 were as follows:

Intragovernmental Liabilities:

| | 2014 | 2013 |
|---|-------------------|-------------------|
| Accrued Salaries and Benefits | \$ 277,583 | \$ 223,292 |
| Liability for Non-Entity Assets-Proceeds from sale of equipment | - | 59,021 |
| | <u>\$ 277,583</u> | <u>\$ 282,313</u> |

Public Liabilities:

| | 2014 | 2013 |
|-----------------------------------|---------------------|---------------------|
| Accrued Salaries and Benefits | \$ 1,208,178 | \$ 621,149 |
| Unfunded Separation Pay Liability | 826,494 | 918,717 |
| Unfunded Annual Leave | 1,793,688 | 1,606,657 |
| | <u>\$ 3,828,360</u> | <u>\$ 3,146,523</u> |

These liabilities are all classified as current.

Under a host nation agreement, the Commission's Italian employees earn separation pay for each year of service with the Commission. The Commission recognized an unfunded liability for separation pay for these employees of \$826,494 as of September 30, 2014, and \$918,717 as of September 30, 2013.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia, Headquarters Office is rented under a 5-year operating lease expiring in July 2017. Future minimum payments due on this operating lease as of September 30, 2014, are as follows:

| <u>Fiscal Year</u> | |
|--------------------|----------------------------|
| 2015 | \$ 721,285 |
| 2016 | 724,110 |
| 2017 | 600,389 |
| 2018 | - |
| 2019 | - |
| After 5 Years | - |
| Total | <u><u>\$ 2,045,784</u></u> |

The Commission's Rome Office moved from commercial leased space to the United States Embassy in Rome. Lease payments for the Rome office space, and for 11 living quarters leases for the benefit of the Commission's Office of Overseas Operations, are made through the International Cooperative Administrative Support Services (ICASS) program with the U.S. State Department. These leases are on a month-to-month basis and the Commission has no obligation for future payments associated with these leases.

Rent expense for all operating leases was \$729,794 during fiscal year 2014. In fiscal year 2013, rent expense for all operating leases was \$687,085.

Note 9. Reconciliation of Net Cost of Operations to Budget

Statement of Federal Financial Accounting Standards (SFFAS) No. 7 requires a reconciliation of proprietary and budgetary information in a way that helps users determine how budget resources obligated for programs relate to net costs of operations. Prior to fiscal year 2007, this reconciliation was accomplished by presenting a Statement of Financing as a basic financial statement. Effective for fiscal year 2007, the Office of Management and Budget in its Circular No. A-136, *Financial Reporting Requirements*, decided that this information for federal entities would be better placed and understood in a note. Consequently, this information is presented as follows:

Reconciliation of Net Cost of Operations (Proprietary) to Budget For the Years Ended September 30, 2014 and 2013

| | 2014 | 2013 |
|--|----------------------|----------------------|
| Resources Used to Finance Activities | | |
| Current Year Gross Obligations Incurred | \$ 73,891,649 | \$ 68,236,345 |
| Budgetary Resources from Offsetting Collections | | |
| Spending Authority from Offsetting Collections | (201,632) | (42,193) |
| Recoveries of Prior Year Unpaid Obligations | (3,218,376) | (2,858,164) |
| Offsetting Receipts | 4,747 | - |
| Other Financing Resources | | |
| Imputed Financing Sources | 1,174,094 | 408,029 |
| Total Resources Used to Finance Activity | \$ 71,650,482 | \$ 65,744,017 |
| Resources Used to Finance Items Not Part of the Net Cost of Operations | | |
| Budgetary Obligations and Resources not in the Net Cost of Operations | | |
| Change in Undelivered Orders | 2,416,719 | 11,598,523 |
| Current Year Capitalized Purchases | (569,400) | (237,940) |
| Components of Net Cost which do not Generate or Use Resources in the Reporting Period | | |
| Revenues without Current Year Budgetary Effect | | |
| Change in NonFederal Receivables | (4,747) | - |
| Resources/Adjustments that do not Affect Net Cost of Operations | 40,904 | 44,749 |
| Other Financing Sources Not in the Budget | (1,174,094) | (408,029) |
| Costs without Current Year Budgetary Effect | | |
| Accrued Annual Leave-Future Funded Expense | 94,808 | (163,106) |
| Disposition of Assets | 5,640 | (17,935) |
| Depreciation and Amortization | 582,120 | 761,069 |
| Foreign Currency Gains\ Losses on Disposition of Assets-Net | - | (559,288) |
| Imputed costs | 1,174,094 | 408,029 |
| Net Cost of Operations | \$ 74,216,526 | \$ 77,170,089 |

Note 10. Fiduciary Activities and Net Assets

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the Federal Government of cash or other assets in which non-Federal individuals or entities have an ownership interest that the Federal Government must uphold.

Fiduciary cash and other assets are not assets of the Federal Government and accordingly are not recognized on the balance sheet.

The Scottish Widows Defined Benefit Scheme was established by a Trust Deed, which authorized the Commission to collect contributions on behalf of beneficiaries, foreign service national employees of the Commission's two cemeteries in England. Fiduciary assets as of September 30 were as follows:

Schedule of Fiduciary Activity

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Contributions | \$ - | \$ 595,919 |
| Investment earnings | 127,429 | 58,389 |
| Increases in fiduciary fund balances | 127,429 | 654,308 |
| Fiduciary net assets, beginning of year | 2,157,385 | 1,503,077 |
| Fiduciary net assets, end of year | <u>\$ 2,284,814</u> | <u>\$ 2,157,385</u> |

Fiduciary Net Assets

| | 2014 | 2013 |
|------------------------|---------------------|---------------------|
| Fiduciary Assets | | |
| Investments | <u>\$ 2,284,814</u> | <u>\$ 2,157,385</u> |
| Total Fiduciary Assets | <u>\$ 2,284,814</u> | <u>\$ 2,157,385</u> |

Note 11. Commitments and Contingencies

As of September 30, 2014 the Commission had commitments of \$17.9 million from undelivered orders as a result of open contracts and purchase orders. In comparison, the Commission had commitments of \$20.3 million from undelivered orders as a result of open contracts and purchase orders as of September 30, 2013. Also as of September 30, 2014, the Commission had contingencies related to pending administrative proceedings and personnel actions that will be resolved by future events. The Commission has determined the likelihood of an unfavorable outcome is remote and is not expected to have a material effect on the financial statements.

Note 12. Imputed Financing

The Commission imputes financing for retirement and other benefits paid by OPM, office space rental costs incurred by the U.S. Department of State, and a heritage asset musical carillon generally donated each fiscal year. The Commission recognized these expenses and related imputed financing in its financial statements. A heritage asset musical carillon, valued at \$26,493, was recognized for this fiscal year as a donation by AMVETS and an in-kind expense. In fiscal year 2013, the Commission received a donation from AMVETS for a musical carillon valued at \$37,077.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by OPM. These costs are computed in accordance with cost factors provided by OPM. For fiscal year 2014, the Commission incurred \$1,566,819 of pension and ORB costs, \$476,270 of which was imputed. For fiscal year 2013, the Commission incurred \$1,571,214 of pension and ORB costs, \$408,029 of which was imputed. Total imputed costs of \$1,174,094 for fiscal year 2014 included office space rental costs incurred by the U.S. Department of State.

Note 13. Obligations Incurred

All obligations incurred are characterized as category A on the Statement of Budgetary Resources. The Commission does not have any direct and reimbursable obligations incurred against amounts apportioned under category "B" or exempt from apportionment.

Note 14. Budgetary Resource Comparisons to the Budget of the United States Government

Statement of Federal Financial Accounting Standards No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting", calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President's Budget). Information from the President's Budget and the Combined Statement of Budgetary Resources for the period ended September 30, 2013 is shown in the following tables. A reconciliation is not presented for the period ended September 30, 2014, since the President's Budget for this period has not been issued by Congress.

| (Dollars in millions) | President's Budget FY 2013 actual as of 9/30/13 | Statement of Budgetary Resources FY 2013 as of 9/30/13 |
|------------------------------|--|---|
| Budgetary resources | \$133 | \$130 |
| Total obligations incurred | 73 | 68 |
| Total outlays | 74 | 74 |

The differences between the President's 2013 budget and the Combined Statement of Budgetary Resources for 2013 are shown below:

| (Dollars in millions) | | Budgetary Resources | Obligations | Outlays |
|--|-----|----------------------------|--------------------|----------------|
| As reported on the Combined Statement of Budgetary Resources for FY 2013 | | \$130 | \$68 | \$74 |
| Revalued obligated balances and audit adjustments not included in the President's Budget | (a) | 3 | | |
| Revalued obligated balances and audit adjustments not included in the President's Budget | (a) | | 5 | |
| As reported in the President's Budget for FY 2013 | | \$133 | \$73 | \$74 |

- (a) Obligated balances in foreign currencies were revalued at the U.S. Dollar equivalent using the Treasury exchange rate in effect on the last day of the fiscal year. Audit adjustments included in the Statement of Budgetary Resources were not included in the President's Budget.

Note 15. Funds from Dedicated Collections

The Commission had responsibility for designing and constructing the National World War II Memorial located on the Mall in Washington, DC. In accordance with 40 U.S.C 8906(b), the Commission deposited \$6.6 million into a separate Treasury account to offset the memorial's costs of perpetual maintenance. On November 1, 2004, the Commission signed an agreement with the National Park Service to formally transfer the National World War II Memorial to the Service for its future care and maintenance. The Commission is responsible for remaining funds residing in a trust fund in the U.S. Treasury to be used solely to benefit the World War II Memorial for other than routine maintenance expense.

Funds from dedicated collections balances as of September 30, 2014, were as follows:

| | <u>WWII Memorial Fund</u> | <u>Other</u> | <u>Total</u> |
|--|---------------------------|---------------------|---------------------|
| Assets: | | | |
| Fund Balance with Treasury | \$ 5,837,442 | \$ 1,072,045 | \$ 6,909,487 |
| Total Assets | <u>\$ 5,837,442</u> | <u>\$ 1,072,045</u> | <u>\$ 6,909,487</u> |
| Liabilities: | | | |
| Accounts Payable | \$ 65,042 | \$ 11,443 | \$ 76,485 |
| Total Liabilities | <u>\$ 65,042</u> | <u>\$ 11,443</u> | <u>\$ 76,485</u> |
| Net Position: | | | |
| Cumulative Results of Operations | \$ 5,772,400 | \$ 1,060,602 | \$ 6,833,002 |
| Total net position | <u>\$ 5,772,400</u> | <u>\$ 1,060,602</u> | <u>\$ 6,833,002</u> |
| Total liabilities and net position | <u>\$ 5,837,442</u> | <u>\$ 1,072,045</u> | <u>\$ 6,909,487</u> |
| Cumulative Results of Operations: | | | |
| Beginning balances | \$ 6,777,661 | \$ 786,884 | \$ 7,564,545 |
| Total Financing Sources (Non-Exchange) | 88,165 | 510,151 | 598,316 |
| Net cost of operations | 1,093,426 | 236,433 | 1,329,859 |
| Cumulative Results of Operations: | <u>\$ 5,772,400</u> | <u>\$ 1,060,602</u> | <u>\$ 6,833,002</u> |
| Unexpended Appropriations: | | | |
| Beginning balance | - | - | - |
| Total Budgetary Financing Resources | - | - | - |
| Total Unexpended Appropriations | - | - | - |
| Net Position | <u>\$ 5,772,400</u> | <u>\$ 1,060,602</u> | <u>\$ 6,833,002</u> |

Funds from dedicated collections balances as of September 30, 2013, were as follows:

| | <u>WWII Memorial Fund</u> | <u>Other</u> | <u>Total</u> |
|--|---------------------------|-------------------|---------------------|
| Assets: | | | |
| Fund Balance with Treasury | \$ 6,854,911 | \$ 793,748 | \$ 7,648,659 |
| Total Assets | <u>\$ 6,854,911</u> | <u>\$ 793,748</u> | <u>\$ 7,648,659</u> |
| Liabilities: | | | |
| Accounts Payable | \$ 77,250 | \$ 6,864 | \$ 84,114 |
| Total Liabilities | <u>\$ 77,250</u> | <u>\$ 6,864</u> | <u>\$ 84,114</u> |
| Net Position: | | | |
| Cumulative Results of Operations | \$ 6,777,661 | \$ 786,884 | \$ 7,564,545 |
| Total net position | <u>\$ 6,777,661</u> | <u>\$ 786,884</u> | <u>\$ 7,564,545</u> |
| Total liabilities and net position | <u>\$ 6,854,911</u> | <u>\$ 793,748</u> | <u>\$ 7,648,659</u> |
| Cumulative Results of Operations: | | | |
| Beginning balances | \$ 10,208,602 | \$ 1,038,644 | \$ 11,247,246 |
| Total Financing Sources (Non-Exchange) | 65,265 | 203,263 | 268,528 |
| Net cost of operations | <u>3,496,206</u> | <u>455,023</u> | <u>3,951,229</u> |
| Cumulative Results of Operations: | <u>\$ 6,777,661</u> | <u>\$ 786,884</u> | <u>\$ 7,564,545</u> |
| Unexpended Appropriations: | | | |
| Beginning balance | - | - | - |
| Total Budgetary Financing Resources | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Unexpended Appropriations | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Position | <u>\$ 6,777,661</u> | <u>\$ 786,884</u> | <u>\$ 7,564,545</u> |

In addition to the World War II Memorial, the Commission maintains other funds which consists of the following:

| | | |
|-------------------------------------|-----------------------------------|---|
| 1-5 Field Artillery | 3rd Division Association | Lafayette Escadrille Memorial |
| 147th Engineer Monument | 4th Division Association | National Guard Association of the United States |
| 90th Infantry Division | 507th Parachute Infantry Regiment | Pointe Du Hoc |
| 1st Division Memorial Association | 5th Division Association | Society of American Military Engineers |
| 1st Engineer Special Brigade | 5th Engineer Special Brigade | State of Missouri |
| 29th Infantry Division Association | 6th Engineer Special Brigade | State of Tennessee |
| 2nd Division Association | American Overseas Memorial Day | Subsidies Fund |
| 30th Infantry Division Association | Commemorative Fund | Theodore Roosevelt Association |
| 316th Infantry Division Association | Commonwealth of Pennsylvania | Vietnam Veterans Plaque |
| 351st Bomb Group Monument | Flower Fund | |
| 381st Bomb Group Monument | Generic Private Memorials | |
| 398th Bomb Group Monument | Korean War Veterans Fund | |

The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The dedicated cash receipts collected from the public into the fund are deposited in the U.S. Treasury, which uses the cash for general government purposes. Treasury securities are issued to the Commission as evidence of its receipts. Treasury securities are an asset to the Commission and a liability to the U.S. Treasury. Because the Commission and the U.S. Treasury are both parts of the government, the assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements. Treasury securities provide the Commission with authority to draw upon the U. S. Treasury to make future expenditures. When the Commission requires redemption of these securities to make expenditures, the government finances

those expenditures out of accumulated cash balances, by raising tax or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the government finances all other expenditures.

Note 16. Liabilities not covered by Budgetary Resources

A. Intragovernmental and Public Liabilities

| | 2014 | 2013 |
|---|----------------------|----------------------|
| Intragovernmental: | | |
| Liability for Non-Entity Assets | \$ - | \$ 59,021 |
| Total Intragovernmental | \$ - | \$ 59,021 |
| Public Liabilities: | | |
| Other Unfunded Employment Related Liability | 826,494 | 918,716 |
| Unfunded Leave | 1,793,688 | 1,606,657 |
| Total Liabilities Not Covered by Budgetary Resources | \$ 2,620,182 | \$ 2,584,394 |
| Total Liabilities Covered by Budgetary Resources | 11,185,424 | 11,128,051 |
| Total Liabilities | \$ 13,805,606 | \$ 13,712,445 |

B. Other Information

Liabilities not covered by Budgetary Resources:

Actuarial FECA Liability-The amount recorded by employer agencies for the actuarial present value of future Federal Employees' Compensation Act benefits provided to Federal employees or their beneficiaries as a result of work-related deaths, disability, or occupational disease.

Liability for Non-Entity Assets-The amount of non-entity assets held in a General Fund receipt account or other Treasury Account Symbol for transfer to other entities.

Other Unfunded Employment Related Liability-Amounts of unfunded employment related liabilities not otherwise classified above that will be funded by future years' budgetary resources. Include the unfunded liability for unemployment for Federal employees in this account.

Unfunded Leave-The amount recorded by an employer agency for unpaid leave earned that the employee is entitled to upon separation and that will be funded by future years' budgetary resources.

Liabilities covered by Budgetary Resources: Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the balance sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first. Examples are Accounts Payable, Disbursements in Transit, Accrued Funded Payroll and Leave, Withholdings Payable, and Employer Contributions and Payroll Taxes Payable.

Note 17. Intragovernmental Costs And Exchange Revenue

Intragovernmental costs represent goods and services exchange transactions made between two reporting entities within the Federal government, and are in contrast to those with non-federal entities (the public). Such costs are summarized as follows:

| | 2014 | 2013 |
|----------------------------------|----------------------|----------------------|
| Program Costs | | |
| Intragovernmental Costs | \$ 15,112,860 | \$ 13,382,281 |
| Public Costs | 59,211,224 | 63,932,567 |
| Total Program Costs | \$ 74,324,084 | \$ 77,314,848 |
| Program Revenues | | |
| Intragovernmental Earned Revenue | \$ 7,887 | \$ 27,717 |
| Public Earned Revenue | 99,671 | 117,042 |
| Total Program Revenues | \$ 107,558 | \$ 144,759 |

American Battle Monuments Commission Required Supplementary Information

September 30, 2014
(Unaudited)

Required Supplementary Information

Maintenance, Repairs, and Improvements

The following unaudited information is required supplementary information on deferred maintenance and the condition of real property at Commission cemeteries and memorials:

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and that, therefore, is put off or delayed for a future period. Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$6.3 million in fiscal year 2014 and \$6.5 million in fiscal year 2013. For fiscal years 1998 through 2002, the Commission received \$11.3 million of additional appropriations from the Congress that enabled it to entirely eliminate its deferred maintenance backlog as of September 30, 2002. No deferred maintenance backlog existed as of September 30, 2014, and 2013.

In addition to condition assessment surveys, the Commission uses a Project Prioritization Methodology with a “plot area out” focus to identify current and future maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition. These surveys are reviewed and updated at least annually by the Commission’s engineering staff. In addition, engineering projects identified improvements in cemetery irrigation, drainage, roads, parking areas, and buildings. As of September 30, 2014, the Commission has identified 39 maintenance, repair, and improvement projects, with an estimated cost of \$6.5 million, scheduled to be performed in fiscal year 2015, subject to available funding.

American Battle Monuments Commission
Statement of Heritage Assets
September 30, 2014
(Unaudited)

25 CEMETERIES

| <u>Name</u> | <u>Location</u> | <u>Interred</u> | <u>Memorialized</u> | <u>Acres</u> | <u>War</u> |
|----------------------------------|------------------------------|-----------------|---------------------|--------------|------------|
| Aisne-Marne American Cemetery | Belleau (Aisne), France | 2,289 | 1,060 | 42.5 | WW I |
| Ardennes American Cemetery | Neupre, Belgium | 5,323 | 462 | 90.5 | WW II |
| Brittany American Cemetery | St. James (Manche), France | 4,410 | 498 | 27.9 | WW II |
| Brookwood American Cemetery | Brookwood, England | 468 | 563 | 4.5 | WW I |
| Cambridge American Cemetery | Cambridge, England | 3,812 | 5,127 | 30.5 | WW II |
| Clark Veterans Cemetery | Angeles City, Philippines | 8,600 | 0 | 17.3 | *** |
| Corozal American Cemetery | Panama City, Panama | 5,443 | 0 | 16.0 | * |
| Epinal American Cemetery | Epinal (Vosges), France | 5,255 | 424 | 48.6 | WW II |
| Flanders Field American Cemetery | Waregem, Belgium | 368 | 43 | 6.2 | WW I |
| Florence American Cemetery | Florence, Italy | 4,402 | 1,409 | 70.0 | WW II |
| Henri-Chapelle American Cemetery | Henri-Chapelle, Belgium | 7,992 | 450 | 57.0 | WW II |
| Lorraine American Cemetery | St. Avoild (Moselle), France | 10,489 | 444 | 113.5 | WW II |
| Luxembourg American Cemetery | Luxembourg City, Luxembourg | 5,076 | 371 | 50.5 | WW II |
| Manila American Cemetery | Luzon, Phillippines | 17,202 | 36,285 | 152.0 | WW II |
| Meuse-Argonne American Cemetery | Romagne (Meuse), France | 14,246 | 954 | 130.5 | WW I |
| Mexico City National Cemetery | Mexico City, Mexico | 1,563 | 0 | 1.0 | ** |
| Netherlands American Cemetery | Margraten, Holland | 8,301 | 1,722 | 65.5 | WW II |
| Normandy American Cemetery | Colleville-sur-Mer, France | 9,387 | 1,557 | 172.5 | WW II |
| North Africa American Cemetery | Carthage, Tunisia | 2,841 | 3,724 | 27.0 | WW II |
| Oise-Aisne American Cemetery | Fere-en-Tardenois, France | 6,012 | 241 | 36.5 | WW I |
| Rhone American Cemetery | Draguignan, Var, France | 861 | 294 | 12.5 | WW II |
| St. Mihiel American Cemetery | Thiaucourt, Meurthe, France | 4,153 | 284 | 40.5 | WW I |
| Sicily-Rome American Cemetery | Nettuno, Italy | 7,861 | 3,095 | 77.0 | WW II |
| Somme American Cemetery | Bony (Aisne), France | 1,844 | 333 | 14.3 | WW I |
| Suresnes American Cemetery | Suresnes, France | 1,565 | 974 | 7.5 | WW I/II |
| Subtotal for Cemeteries | | 139,763 | 60,314 | 1,311.8 | |

*Acquired by Executive Order as a result of the Panama Canal Treaty.

**Acquired by Executive Order from the War Department.

*** Acquired by the Dignified Burial and Other Veterans' Benefits Improvement Act (Public Law 112-260).

American Battle Monuments Commission
Schedule of Heritage Assets
September 30, 2014
(Unaudited)

26 FEDERAL MEMORIALS, MONUMENTS, AND MARKERS

| <u>Name</u> | <u>Location</u> | <u>Interred</u> | <u>Memorialized</u> | <u>Acres</u> | <u>War</u> |
|---------------------------------|----------------------------------|-----------------|---------------------|--------------|---------------------|
| East Coast Memorial | New York City, NY | | 4,609 | 0.8 | WW II |
| Honolulu Memorial | Honolulu, HI | | 28,800 | 1.0 | WW II/Korea/Vietnam |
| West Coast Memorial | San Francisco, CA | | 412 | 1.3 | WW II |
| Audenarde Monument | Audenarde, Belgium | | | 0.4 | WW I |
| Bellicourt Monument | St. Quentin, France | | | 1.8 | WW I |
| Brest Naval Monument | Brest, France | | | 1.0 | WW I |
| Cabanatuan Memorial | Luzon, Phillipines | | | | WW II |
| Cantigny Monument | Cantigny, France | | | 0.4 | WW I |
| Chateau-Thierry Monument | Chateau-Thierry, France | | | 58.9 | WW I |
| Chaumont Marker | Chaumont, France | | | | WW I |
| Gibraltar Naval Monument | Gibraltar | | | 0.1 | WW I |
| Guadalcanal Memorial | Guadalcanal | | | 0.5 | WW II |
| Kemmel Monument | Ypres, Belgium | | | 0.2 | WW I |
| Korean War Monument | Busan, Korea | | | | Korea |
| Marine Monument Belleau Wood | Aisne, France | | | 199.6 | WW I |
| Montfaucon Monument | Montfaucon, France | | | 9.6 | WW I |
| Montsec Monument | Thiaucourt, France | | | 47.5 | WW I |
| Papua Marker | Port Moresby, New Guinea | | | | WW II |
| Pointe du Hoc Ranger Monument | St. Laurent-sur-Mer, France | | | 29.8 | WW II |
| Saipan Monument | Saipan, Northern Mariana Islands | | | | WW II |
| Santiago Surrender Tree | Santiago, Cuba | | | | Sp American War |
| Sommepy Monument | Sommepy, France | | | 15.0 | WW I |
| Souilly Marker | Souilly, France | | | | WW I |
| Tours Monument | Tours, France | | | 0.5 | WW I |
| Utah Beach Monument | Sainte Marie-du-Mont, France | | | 0.5 | WW II |
| Western Naval Task Force Marker | Casablanca, Morocco | | | | WW II |
| Subtotal for Memorials | | 0 | 33,821 | 368.9 | |
| Subtotal for Cemeteries | | 139,763 | 60,314 | 1,311.8 | |
| Grand Total | | 139,763 | 94,135 | 1,680.7 | |

American Battle Monuments Commission
Statement of Heritage Assets
September 30, 2014
(Unaudited)

8 NONFEDERAL MEMORIALS

| <u>Name</u> | <u>Location</u> | <u>War</u> |
|--|----------------------------------|-------------------|
| 29th Infantry Division Memorial | Vierville-sur-Mer, France | WW II |
| 30th Infantry Division Memorial | Mortain, France | WW II |
| 6th Engineering Special Brigade Memorial | Vierville-sur-Mer, France | WW II |
| 351st Bomb Group Memorial | Oundle, England | WW II |
| 147th Engineer Battalion Monument | Englesqueville-la-Percee, France | WW II |
| 507th Parachute Infantry Regiment Memorial | Amfreville, France | WW II |
| 398th Bomb Group Memorial | Herdfordshire, England | WW II |
| 381st Bomb Group Monument | Ridgewell, England | WW II |



President Obama and French President Hollande on the bluffs overlooking Omaha Beach on the 70th anniversary of D-Day (Official White House photo by Pete Souza)



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