**UNITED STATES GOVERNMENT**
***National Labor Relations Board***
**Office of Inspector General**

# Audit of the NLRB Fiscal Year 2013 Financial Statements

Report No. OIG-F-18-14-01

January 29, 2014

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*National Labor Relations Board*
*Office of Inspector General*

**EXECUTIVE SUMMARY**

The Accountability of Tax Dollars Act of 2002 requires that the National Labor Relations Board (NLRB or Agency) prepare and submit to the Congress and the Director of the Office of Management and Budget (OMB) audited financial statements.

The NLRB Office of Inspector General (OIG) contracted with Carmichael, Brasher, Tuvell & Company (CBTC) to perform the audit. The objectives of the audit were to issue an opinion on the fair presentation of the principal financial statements, obtain an understanding of the Agency's internal controls, and test compliance with laws and regulations that could have a direct and material effect on the financial statements. The audit was conducted by CBTC in accordance with Government Auditing Standards issued by the Comptroller General of the United States and OMB Bulletin No. 14-02, Audit Requirements for Federal Financial Statements.

This document is the NLRB OIG's comprehensive report related to auditing the Agency's financial statements and includes CBTC's independent auditors' report, independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards, and management letter; NLRB's financial statements and related notes; and the Agency's responses to the independent auditors' report and management letter.

CBTC is responsible for the independent auditors' report and the conclusions expressed in the report. We reviewed CBTC's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the NLRB's financial statements or internal control or conclusions on compliance with laws and regulations. Our review disclosed no instances in which CBTC did not comply, in all material respects, with generally accepted government auditing standards.

On November 26, 2013, we transmitted CBTC's independent auditors' report, which was included in the Agency's FY 2013 Performance and Accountability Report. The audit results were:

- The financial statements present fairly, in all material respects, the financial condition and activity of the NLRB as of and for the years ending September 30, 2012 and 2013.

- The tests on internal controls identified no material weaknesses in controls over financial reporting. CBTC's opinion did not provide any assurances on the effectiveness of internal control over financial reporting. Providing assurances on internal control or on the effectiveness of NLRB's internal control over financial reporting was not an objective of the audit.

- The tests on compliance with laws and regulations identified no instances of noncompliance with laws and regulations that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. Providing an opinion on compliance with laws and regulations, however, was not an objective of the audit and, accordingly, such an opinion was not expressed.

CBTC's independent auditors' report did not include any recommendations for corrective action. CBTC's management letter contains no findings or recommendations. The management letter also provides information on the status of prior year recommendations.

The Chairman and General Counsel provided comments to the independent auditors' report and the management letter. Those comments are presented in their entirety in this report.

# INDEPENDENT AUDITORS' REPORT

To David P. Berry, Inspector General
National Labor Relations Board

The Accountability of Tax Dollars Act of 2002 made the National Labor Relations Board (NLRB) subject to the annual financial statement reporting requirements of the Chief Financial Officers Act of 1990, which requires agencies to report annually to Congress on their financial status and any other information needed to fairly present the agencies' financial position and results of operations.

The objectives of the audit are to express an opinion on the fair presentation of NLRB's principal financial statements, obtain an understanding of the Agency's internal control, and test compliance with laws and regulations that could have a direct and material effect on the financial statements.

## Report on the Financial Statements

We have audited the accompanying financial statements of NLRB, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and related notes to the financial statements.

## Management's Responsibility for the Financial Statements

NLRB's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. NLRB's management is also responsible for preparing the Management's Discussion and Analysis (MD&A); and complying with laws and regulations.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements of NLRB based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the NLRB'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 NLRB's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NLRB's assets, liabilities, and net position of NLRB, as of September 30, 2013 and 2012; and the net cost, changes in net position, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Accompanying Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements of NLRB taken as a whole. The accompanying financial information presented for the purposes of additional analysis and is not required part of the financial statements.

The other accompanying information included in the MD&A section of the Performance and Accountability Report is required by the Federal Accounting Standards Advisory Board and OMB Circular A-136, *Financial Reporting Requirements*. Such other accompanying information is the responsibility of NLRB's management. We have applied certain limited procedures to the other accompanying 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 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of NLRB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NLRB's internal control over financial reporting and compliance.

This communication is intended solely for the information and use of those charged with governance and management of NLRB, others within the organization, OMB, and the Congress of the United States, and is not intended to be and should not be used by anyone other than these specified parties.

CARMICHAEL, BRASHER, TUVELL & COMPANY, P.C.

Carmichael, Brasher, Tuvell + Co., P.C.

Atlanta, Georgia
November 26, 2013

## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To David P. Berry, Inspector General
National Labor Relations Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of NLRB, which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and related notes to the financial statements.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NLRB'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NLRB's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. Accordingly, we do not express an opinion on the effectiveness of NLRB's internal control.

A ***deficiency in internal control*** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A ***material weakness*** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization'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 over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We also identified other matters in internal control that came to our attention during our audit that we communicated in writing to the management of NLRB and those charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NLRB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 14-02. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to NLRB. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB audit guidance.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NLRB'S internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NLRB's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CARMICHAEL, BRASHER, TUVELL & COMPANY, P.C.

Carmichael, Brasher, Tuvell + Co., P.C.

Atlanta, Georgia
November 26, 2013

**UNITED STATES GOVERNMENT**
**NATIONAL LABOR RELATIONS BOARD**
**WASHINGTON, DC**

**MEMORANDUM**

**TO:** David P. Berry
Inspector General

**FROM:** Mark Gaston Pearce, Chairman
Richard F. Griffin, Jr., General Counsel

**DATE:** December 3, 2013

**SUBJECT:** Response to Audit of the National Labor Relations Board Fiscal Year 2013 Financial Statements (OIG-F-18-14-01)

We have reviewed the Audit Report submitted by Carmichael, Brasher, Tuvell & Company and are pleased that the FY 2013 audit of the NLRB's financial statements has resulted in a unqualified opinion with no findings, recommendations, or corrective actions.

Mark Gaston Pearce
Chairman

Richard F. Griffin, Jr.
General Counsel

MANAGEMENT LETTER

To David P. Berry, Inspector General
National Labor Relations Board

We audited the financial statements (balance sheet, and the related statements of net cost, changes in net position, and statement of budgetary resources, hereinafter referred to as “financial statements”) of the National Labor Relations Board (NLRB) as of and for the years ended September 30, 2013 and 2012, on which we issued an unmodified opinion dated November 26, 2013.

In planning and performing our audit, we considered NLRB’s internal control over financial reporting by obtaining an understanding of the design effectiveness of its internal controls, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in the Office of Management and Budget's (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, but not for the purpose of expressing an opinion on the effectiveness of NLRB’s internal control. We have not considered the internal control structure since the date of our report.

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 ***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.

During our audit, we noted no findings involving the internal control structure and other operational matters that are presented in this letter for your consideration. We reviewed three (3) open recommendations made in the prior years’ management letters (two from 2012, and one from 2011) and determined the status of corrective actions for each. One (1) recommendation is partially completed and two (2) recommendations were closed.

NLRB’s written responses to the prior years’ management letter comments have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The report is intended for the information and use of those charged with governance and management of NLRB, the Office of Inspector General, others within the organization, OMB, and the U.S. Congress, and is not intended to be and should not be used by anyone other than those specified parties.

CARMICHAEL BRASHER TUVELL & COMPANY

Carmichael, Brasher, Tuvell + Co., P.C.

Atlanta, Georgia
November 26, 2013

## Prior Year Recommendations

**Open Prior Year Management Letter Recommendations**

Three (3) prior year management letter recommendations were open during FY 2013. As shown in the table below, one (1) recommendation is partially completed and two (2) recommendations were closed.

| Prior Year Recommendation | Current Year Status |
|---|---|
| **FY 2012 Management Letter**<br>Information Technology – Active Directory Accounts<br>We recommend that NLRB's OCIO coordinate with appropriate personnel (i.e. Office of Human Resources, Regional Offices, etc.) to ensure that the OCIO is notified immediately of all terminations, transfers, temporary accounts no longer required, or any NLRB employee who is absent without leave.<br><br>In addition, we recommend the OCIO ensures compliance with the Access Control Standards – Password Management in regard to the disabling of inactive accounts that have been dormant for a period of 45 days, with a schedule of regularly performed user account maintenance to remove inactive user accounts. We also recommend the OCIO maintain appropriate documentation of its compliance with this policy. | Partially complete |
| Finance Branch – Review of Journal Vouchers<br>We recommend that Finance Branch personnel follow the internal controls that are designed to provide segregation of duties. | Closed |
| **FY 2011 Management Letter**<br>Telecommunications<br>We recommend that the NLRB:<br>1) Utilize a tracking calendar system for all contracts;<br>2) Consider implementing procurement software;<br>3) Manage contracts in order to assure timely issuance of preliminary notifications;<br>4) Compare the status of Request to Purchase, Form 12's to the contract;<br>5) Issue the contract modification prior to the expiration date of the original contract;<br>6) Assure that option year evaluations are documented in the contract file; and<br>7) Ratify the procurement action as deemed necessary by Special Counsel. | Closed |

**UNITED STATES GOVERNMENT**
**NATIONAL LABOR RELATIONS BOARD**
**WASHINGTON, DC**

**MEMORANDUM**

**TO:** David P. Berry
Inspector General

**FROM:** Mark Gaston Pearce, Chairman
Richard F. Griffin, Jr., General Counsel

**DATE:** December 11, 2013

**SUBJECT:** Comments on Draft Management Letter on Audit of the National Labor Relations Board's Fiscal Year 2013 Financial Statements (OIG-F-18-14-01a)

This is in response to your memorandum dated December 11, 2013, in which you requested us to review and comment, if necessary, on the draft Management Letter covering the audit of the Agency's Fiscal Year 2013 financial statements.

We reviewed the draft Management Letter and are pleased that there were no findings or recommendations reported and have no comments on the remainder of the report.

Mark Gaston Pearce, Chairman

Richard F. Griffin, Jr., General Counsel

cc: Chief Financial Officer
Chief Information Officer

# PRINCIPAL FINANCIAL STATEMENTS

## AUDITOR'S REPORTS AND PRINCIPAL FINANCIAL STATEMENTS

PRINCIPAL STATEMENTS

**National Labor Relations Board**
Balance Sheet
As of September 30, 2013 and 2012
*( in dollars )*

| | FY 2013 | FY 2012 |
|---|---|---|
| **Assets:** | | |
| Intragovernmental: | | |
| Fund balance with Treasury (Note 2) | $ 23,321,588 | $ 26,829,675 |
| Advances (Note 4) | 97,196 | 186,019 |
| **Total Intragovernmental** | **23,418,784** | **27,015,694** |
| | | |
| Accounts and Interest Receivable, Net (Note 5) | 60,893 | 76,961 |
| General property, plant and equipment, net (Notes 6 and 10) | 13,685,712 | 13,527,547 |
| **Total Assets** | **$ 37,165,389** | **$ 40,620,202** |
| | | |
| **Liabilities:** | | |
| Intragovernmental: | | |
| Accounts payable (Note 7) | $ 1,085,760 | $ 3,890,755 |
| Employer contributions and payroll taxes | 987,135 | 827,258 |
| FECA liability (Notes 8 and 10) | 719,585 | 765,165 |
| Custodial Liability | 213,501 | 209,407 |
| **Total Intragovernmental** | **$ 3,005,981** | **$ 5,692,585** |
| | | |
| Accounts payable: | 7,629,226 | 8,876,275 |
| Estimated future FECA liability (Notes 8 and 10) | 1,008,521 | 1,630,611 |
| Accrued payroll and benefits | 3,650,218 | 3,153,276 |
| Accrued annual leave (Notes 8 and 10) | 13,644,627 | 14,163,509 |
| **Total Liabilities** | **$ 28,938,573** | **$ 33,516,256** |
| | | |
| **Net position:** | | |
| Unexpended appropriations | $ 9,852,964 | $ 10,058,724 |
| Cumulative results of operations (Note 10) | (1,626,148) | (2,954,778) |
| **Total Net Position** | **8,226,816** | **7,103,946** |
| **Total Liabilities and Net Position** | **$ 37,165,389** | **$ 40,620,202** |

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

## National Labor Relations Board
### Statement of Net Cost
For the Periods Ended September 30, 2013 and 2012
*( in dollars )*

| | FY 2013 | FY 2012 |
|---|---|---|
| **Program Costs:** | | |
| **Resolve Representation Cases** | | |
| **Net Cost** | **$ 44,443,321** | **$ 48,024,590** |
| **Resolve Unfair Labor Practices** | | |
| **Net Cost** | **$ 233,327,431** | **$ 244,755,968** |
| **Other:** | | |
| Costs | $ **6,124** | $ 10,971 |
| Less: Earned Revenue | **6,124** | 10,971 |
| **Net Cost** | **–** | **–** |
| **Total:** | | |
| Costs | $ **277,776,876** | $ 292,791,529 |
| Less: Earned Revenue | **6,124** | 10,971 |
| **Net Cost of Operations (Note 11)** | **$ 277,770,752** | **$ 292,780,558** |

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

## National Labor Relations Board
### Statement of Changes In Net Position
For the Periods Ended September 30, 2013 and 2012
*( in dollars )*

| | Consolidated Total FY 2013 | Consolidated Total FY 2012 |
|---|---|---|
| **Cumulative Results of Operations:** | | |
| Beginning Balance | $ (2,954,778) | $ (4,249,240) |
| **Budgetary Financing Sources:** | | |
| Appropriations-used | 263,043,308 | 277,129,011 |
| Non-exchange revenue | (213,501) | - |
| **Other Financing Sources (Non-Exchange):** | | |
| Imputed financing costs (Note 13) | 16,056,074 | 16,946,009 |
| Custodial Liability | $ 213,501 | - |
| **Total Financing Sources** | **$ 279,099,382** | **$ 294,075,020** |
| Net Cost of Operations | (277,770,752) | (292,780,558) |
| **Net Change** | **$ 1,328,630** | **$ 1,294,462** |
| **Cumulative Results of Operations (Note 10)** | **$ (1,626,148)** | **$ (2,954,778)** |
| **Unexpended Appropriations:** | | |
| Beginning Balance | $ 10,058,724 | $ 9,487,574 |
| **Budgetary Financing Sources:** | | |
| Appropriations-received | 278,306,006 | 278,833,000 |
| Appropriations-used | (263,043,308) | (277,129,011) |
| Recissions & cancelled appropriations | (15,468,458) | (1,132,839) |
| **Total Budgetary Financing Sources** | **$ (205,760)** | **$ 571,150** |
| **Total Unexpended Appropriations** | **$ 9,852,964** | **$ 10,058,724** |
| **Net Position** | **$ 8,226,816** | **$ 7,103,946** |

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

## National Labor Relations Board
### Statement of Budgetary Resources
For the Periods Ended September 30, 2013 and 2012
*(in dollars)*

| | FY 2013 | FY 2012 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated balance brought forward, October 1 | $ 5,779,205 | $ 4,295,300 |
| Recoveries of prior year unpaid obligations | 1,162,637 | 1,616,889 |
| Other changes in unobligated balance (+ or -) | (911,385) | (605,845) |
| Unobligated balance from prior year budget authority, net | 6,030,457 | 5,306,344 |
| Appropriations (discretionary) | 263,748,933 | 278,306,006 |
| Spending authority from offsetting collections (discretionary) | 37,479 | 97,564 |
| **Total Budgetary Resources** | $ 269,816,869 | **$ 283,709,914** |
| | | |
| **Status of Budgetary Resources:** | | |
| Obligations incurred | $ 264,828,625 | $ 277,930,709 |
| Unobligated balance, end of year (gross): | | |
| Apportioned | 725,834 | 801,263 |
| Unapportioned | 4,262,410 | 4,977,942 |
| Total unobligated balance, end of year | 4,988,244 | 5,779,205 |
| **Total Budgetary Resources** | $ 269,816,869 | **$ 283,709,914** |
| | | |
| **Change in Obligated Balance:** | | |
| Unpaid obligations, brought forward, October 1 (gross) | $ 20,841,062 | $ 22,105,868 |
| Obligations incurred | 264,828,625 | 277,930,709 |
| Outlays (gross) | (266,283,298) | (277,578,626) |
| Recoveries of prior year unpaid obligations (-) | (1,162,637) | (1,616,889) |
| Unpaid obligations, end of year (gross) | 18,223,752 | 20,841,062 |
| Memorandum (non-add) entries | | |
| Obligated balance, start of year (+ or -) | 20,841,062 | 22,105,868 |
| **Obligated balance, end of year (net)** | $ 18,223,752 | **$ 20,841,062** |
| | | |
| **Budget Authority and Outlays, Net:** | | |
| Budget authority, gross (discretionary) | $ 263,786,412 | $ 278,403,570 |
| Actual offsetting collections (discretionary) (-) | (37,479) | (97,564) |
| **Budget authority, net (discretionary)** | $ 263,748,933 | **$ 278,306,006** |
| | | |
| Outlays, gross (discretionary) | 266,283,298 | 277,578,626 |
| Actual offsetting collections (discretionary) (-) | (37,479) | (97,564) |
| Outlays, net (discretionary) | 266,245,819 | 277,481,062 |
| **Agency outlays, net (discretionary)** | $ 266,245,819 | **$ 277,481,062** |

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

# NOTES TO PRINCIPAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies

### A. Reporting Entity

The National Labor Relations Board (NLRB) is an independent federal agency established in 1935 to administer the National Labor Relations Act (NLRA). The NLRA is the principal labor relations law of the United States, and its provisions generally apply to private sector enterprises engaged in, or to activities affecting, interstate commerce. The NLRB's jurisdiction includes the U.S. Postal Service (other government entities, railroads, and airlines are not within the NLRB's jurisdiction). The NLRB seeks to serve the public interest by reducing interruptions in commerce caused by industrial strife. The NLRB does this by providing orderly processes for protecting and implementing the respective rights of employees, employers, and unions in their relations with one another. The NLRB has two principal functions: (1) to determine and implement, through secret ballot elections, free democratic choice by employees as to whether they wish to be represented by a union in dealing with their employers and, if so, by which union; and (2) to prevent and remedy unlawful acts, called unfair labor practices (ULPs), by either employers, unions, or both. The NLRB's authority is divided both by law and delegation. The five-member Board (Board) primarily acts as a quasi-judicial body in deciding cases on formal records. The General Counsel investigates and prosecutes ULP charges before administrative law judges, whose decisions may be appealed to the Board; and, on behalf of the Board, conducts secret ballot elections to determine whether employees wish to be represented by a union.

### B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, net cost, changes in net position, and budgetary resources of the NLRB as required by the Accountability of Tax Dollars Act of 2002. These financial statements have been prepared from the books and records of the NLRB in accordance with accounting principles generally accepted in the United States of America (GAAP), and the form and content requirements of the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements, revised as of October 21, 2013.* GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the federal government. While the statements have been prepared from the books and records of the NLRB in accordance with GAAP for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. These financial statements present proprietary and budgetary information.

The Balance Sheet presents Agency assets and liabilities, and the difference between the two, which is the Agency's net position. Agency assets include both entity assets —those which are available for use by the Agency—and non-entity assets —those which are managed by the Agency but not available for use in its operations. Agency liabilities include both those covered by budgetary resources (funded) and those not covered by budgetary resources (unfunded). The investments made for backpay funds are not recognized on the balance sheet of any federal entity. A note disclosure is required to provide information about its fiduciary activities. See Note 1F, Fiduciary Activities, for additional information.

The Statement of Net Cost presents the gross costs of programs less earned revenue to arrive at the net cost of operations for both programs and for the Agency as a whole.

The Statement of Changes in Net Position reports beginning balances, budgetary and other financing sources, and net cost of operations, to arrive at ending balances.

The Statement of Budgetary Resources provides information about how budgetary resources were made available, as well as their status at the end of the period. Recognition and measurement of budgetary information reported on this statement is based on budget terminology, definitions, and guidance in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget, dated July 26, 2013.*

The Agency is required to be in substantial compliance with all applicable accounting principles and standards established, issued, and implemented by the FASAB, which is recognized by the American Institute of Certified Public Accountants (AICPA) as the entity to establish GAAP for the federal government. The Federal Financial Management Integrity Act (FFMIA) of 1996 requires the Agency to comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transaction level.

The FY 2015 Budget of the United States (also known as the President's Budget) with actual numbers for FY 2013 was not published at the time that these financial statements were issued. The President's Budget is expected to be published in February 2014 and will be available from the United States Government Printing Office. There are no differences in the actual amounts for FY 2012 that have been reported in the FY 2014 Budget of the United States and the actual numbers that appear in the FY 2012 Statement of Budgetary Resources.

OMB financial statement reporting guidelines for FY 2013 require the presentation of comparative financial statements for all of the principal financial statements. The NLRB is presenting comparative FY 2013 financial statements for the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources, and these statements have been prepared in accordance with generally accepted accounting principles.

The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority to do so.

The accounting structure of federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds.

The information as presented on the Statement of Net Cost is based on the programs below:

**Representation Cases** are initiated by the filing of a petition by an employee, a group of employees, an individual or labor organization acting on their behalf, or in some cases by an employer. The petitioner requests an election to determine whether a union represents, or in some cases continues to represent, a majority of the employees in an appropriate bargaining unit and therefore should be certified as the employees' bargaining representative. The role of the Agency is to investigate the petition and, if necessary, conduct a hearing to determine whether the employees constitute an appropriate bargaining unit under the NLRA. The NLRB must also determine which employees are properly included in the bargaining unit, conduct the election if an election is determined to be warranted, hear and decide any post-election objections to the conduct of the election and, if the election is determined to have been fairly conducted, to certify its results.

**ULP Cases** are initiated by individuals or organizations through the filing of a charge with the NLRB. If the NLRB Regional Office believes that a charge has merit, it issues and prosecutes a complaint against the charged party, unless settlement is reached. A complaint that is not settled or withdrawn is tried before an administrative law judge (ALJ), who issues a decision, which may be appealed by any party to the Board. The Board acts in such matters as a quasi-judicial body, deciding cases on the basis of the formal trial record according to the law and the body of case law that has been developed by the Board and the federal courts.

## C. Budgets and Budgetary Accounting

Congress annually adopts a budget appropriation that provides the NLRB with authority to use funds from the U.S. Treasury (Treasury) to meet operating expense requirements. The NLRB has single year budgetary authority and all unobligated amounts at year-end are expired. At the end of the fifth year, all amounts not expended are canceled. All revenue received from other sources must be returned to the Treasury.

Budgetary accounting measures appropriation and consumption of budget/spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities, which do not consume current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

Transactions are recorded on an accrual accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

## D. Financing Sources

The NLRB receives funds to support its programs through annual appropriations. These funds may be used to pay program and administrative expenses (primarily salaries and benefits, occupancy, travel, and contractual service costs).

For accounting purposes, appropriations are recognized as financing sources (appropriations used) at the time expenses are accrued. Appropriations expended for general property, plant and equipment are recognized as expenses when the asset is consumed in operations (depreciation and amortization).

## E. Fund Balance with the Treasury

The NLRB does not maintain cash in commercial bank accounts. Cash receipts and disbursements are processed by the Treasury. The Agency's records are reconciled with those of Treasury. The fund balances with the Treasury are primarily appropriated funds that are available to pay current liabilities and to finance authorized purchases. Funds with the Treasury represent the NLRB's right to draw on the Treasury for allowable expenditures. In addition, funds held with the Treasury also include escrow funds that are not appropriated but are backpay funds that are the standard Board remedy whenever a violation of the NLRA has resulted in a loss of employment or earnings. Cash received and investments made for backpay funds are not recognized on the balance sheet. A note disclosure is required to provide information about its fiduciary activities. See Note 1F, Fiduciary Activities, for further explanation.

*See Note 2 for additional information on Fund Balance with Treasury.*

## F. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and 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. Fiduciary activities are not recognized on the proprietary financial statements, but are reported on schedules in the notes to the financial statements. (See SFFAS No. 31, Accounting for Fiduciary Activities).

The fiduciary funds collected by NLRB and held in escrow accounts with the Treasury are funds that are not appropriated but are backpay funds that are the standard Board remedy whenever a violation of the NLRA has resulted in a loss of employment or earnings. The NLRB invests funds in federal government securities for backpay that are held in the escrow account at Treasury. Effective for the period beginning after September 30, 2008, the cash received and the investments made for backpay funds will not be recognized on the balance sheet of any federal entity. A note disclosure is still required to provide information about its fiduciary activities. See Note 3, Fiduciary Activities.

The federal government securities include Treasury market-based securities issued by the Federal Investment Branch of the Bureau of the Public Debt. Market-based securities are Treasury securities that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

It is expected that Investments will be held until maturity; therefore they are valued at cost and adjusted for amortization of discounts, if applicable. The discounts are recognized as adjustments to interest income, utilizing the straight-line method of amortization for short-term securities (i.e., bills). Investments, redemptions, and reinvestments are controlled and processed by the Department of the Treasury.

There exists a signed Memorandum of Understanding (MOU) between the NLRB and the Treasury establishing the policies and procedures that the NLRB and the Treasury agree to follow for investing monies in, and redeeming investments held by, the deposit fund account in Treasury.

*See Note 3 for additional information on Fiduciary Activities.*

## G. Advances

Advances consist of amounts advanced by the NLRB for the transit subsidy program. See Note 4 for additional information on the Advances.

## H. Accounts Receivable, Net of Allowance for Doubtful Accounts

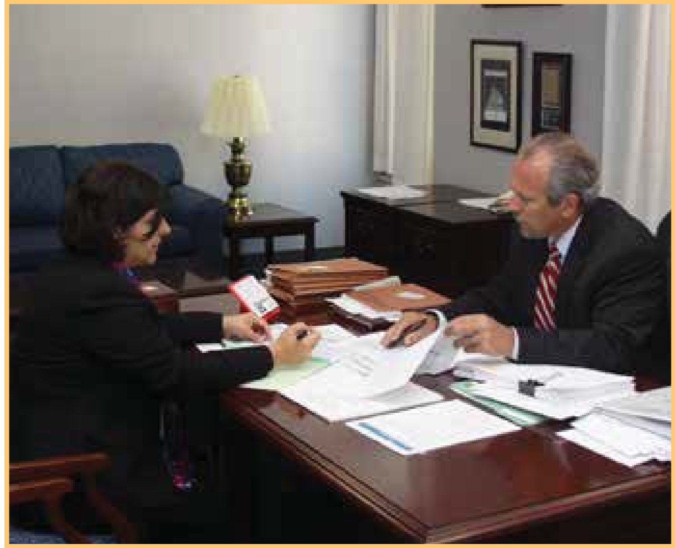
Accounts Receivable primarily consists of health benefit premiums due the NLRB from Agency employees. Accounts receivable are stated net of allowance for doubtful accounts. The allowance is estimated based on an aging of account balances, past collection experience, and an analysis of outstanding accounts at year-end.

*See Note 5 for additional information on Accounts Receivable.*

## I. General Property, Plant and Equipment

General property, plant and equipment consist primarily of telephone systems, computer hardware and software. The Agency has no real property.[4]

[4] Please see subsequent reference to remainder interest in Florida real estate obtained as a remedy in a ULP case.



General property, plant and equipment with a cost of $15,000 or more per unit is capitalized at cost and depreciated using the straight-line method over the useful life. Other property items are expensed when purchased. Expenditures for repairs and maintenance are charged to operating expenses as incurred. The useful life for this category is five to twelve years. There are no restrictions on the use or convertibility of general property, plant and equipment.

**Internal Use Software.** Internal use software (IUS) includes purchased commercial off-the-shelf software (COTS), contractor-developed software, and software that was internally developed by Agency employees. IUS is capitalized at cost if the acquisition cost is $100,000 or more. For COTS software, the capitalized costs include the amount paid to the vendor for the software; for contractor-developed software it includes the amount paid to a contractor to design, program, install, and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development stage. The estimated useful life is two to five years for calculating amortization of software using the straight-line method.

**Internal Use Software in Development.** Internal use software in development is software that is being developed, but not yet put into production. At the time the software is moved into production the costs will be moved into the IUS account described above. The NLRB is currently completing a major software development project called the Next Generation Case Management System (NXGen) that has replaced a number of case tracking systems with one enterprise-wide system. NXGen will support the President's Management Agenda, such as for e-Gov, E-Filing, e-FOIA, and public web-based access to NLRB data. This project has been a multiple year undertaking.

*See Note 6 for additional information on General Property, Plant and Equipment, Net.*

## J. Non-Entity Assets

Assets held by the NLRB that are not available to the NLRB for obligation are considered non-entity assets.

*See Note 9 for additional information on Non-Entity Assets.*

## K. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the NLRB as the result of a transaction or event that has already occurred. However, no liability can be paid by the NLRB absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified as Liabilities Not Covered by Budgetary Resources and there is no certainty that the appropriation will be enacted. Also, liabilities of the NLRB arising from other than contracts can be abrogated by the government, acting in its sovereign capacity.

## L. Liabilities Not Covered by Budgetary Resources

Liabilities represent the amount of monies or other resources that are likely to be paid by the NLRB as the result of a transaction or event that has already occurred. Liabilities not covered by budgetary resources result from the receipts of goods or services in the current or prior periods, or the occurrence of eligible events in the current or prior periods for which appropriations, revenues, or other financing sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings of the reporting entity.

### Intragovernmental

The U.S. Department of Labor (DOL) paid Federal Employees Compensation Act (FECA) benefits on behalf of the NLRB which had not been billed or paid by the NLRB as of September 30, 2013 and 2012, respectively.

*See Notes 8 and 10 for additional information on intragovernmental liabilities not covered by budgetary resources.*

### Federal Employees Workers' Compensation Program.

The Federal Employees Workers' Compensation Program (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by DOL, which pays valid claims and subsequently seeks reimbursement from the NLRB for these paid claims.

The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the NLRB. The NLRB reimburses DOL for the amount of the actual claims as funds are appropriated for this purpose. There is generally a two- to three-year time period between payment by DOL and reimbursement by the NLRB. As a result, the NLRB recognizes a liability for the actual claims paid by DOL and to be reimbursed by the NLRB.

The second component is the estimated liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. The NLRB determines this component annually, as of September 30, using a method that considers historical benefit payment patterns.

The NLRB uses the methodology of reviewing the ages of the claimant on a case-by-case basis (because of the small number of claimants) to evaluate the estimated FECA liability. The determination was made to use the life expectancy of claimants of 80 and 84 years for male and female, respectively.

*See Notes 8 and 10 for additional information on the FECA liability.*

### Accrued Annual Leave

Accrued annual leave represents the amount of annual leave earned by the NLRB employees but not yet taken.

*See Notes 8 and 10 for additional information on Accrued Annual Leave.*

## M. Contingencies

The criteria for recognizing contingencies for claims are:

1) a past event or exchange transaction has occurred as of the date of the statements;
2) a future outflow or other sacrifice of resources is probable; and
3) the future outflow or sacrifice of resources is measurable (reasonably estimated).

The NLRB recognizes material contingent liabilities in the form of claims, legal action, administrative proceedings and suits that have been brought to the attention of legal counsel, some of which will be paid by the Treasury Judgment Fund. It is the opinion of management and legal counsel that the ultimate resolution of these proceedings, actions and claims, will not materially affect the financial position or results of operations.

Contingencies are recorded when losses are probable, and the cost is measurable. When an estimate of contingent losses includes a range of possible costs, the most likely cost is reported; where no cost is more likely than any other, the lowest possible cost in the range is reported. This item will normally be paid from appropriated funds.

*See Note 16 for additional information on Contingencies.*

## N. Unexpended Appropriations

Unexpended appropriations represent the amount of the NLRB's unexpended appropriated spending authority as of the fiscal year-end that is unliquidated or is unobligated and has not lapsed, been rescinded, or withdrawn.

## O. Annual, Sick, and Other Leave

### Annual and Sick Leave Program.

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefit costs. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. Annual leave earned but not taken, within established limits, is funded from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

*See Note 10 for additional information on Annual Leave.*

## P. Life Insurance and Retirement Plans

### Federal Employees Group Life Insurance (FEGLI) Program.

Most NLRB employees are entitled to participate in the FEGLI Program. Participating employees can obtain "basic life" term life insurance, with the employee paying two-thirds of the cost and the NLRB paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. The Office of Personnel Management (OPM) administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. Government's service cost for the post-retirement portion of the basic life coverage. Because the NLRB's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the NLRB has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and imputed financing source.

### Retirement Programs.

The NLRB employees participate in one of two retirement programs, either the Civil Service Retirement System (CSRS), a defined benefit plan, or the Federal Employees Retirement System (FERS), a defined benefit and contribution plan. On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most of the NLRB employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS. The NLRB contributes a matching contribution equal to 7 percent of pay for CSRS employees.

FERS consists of Social Security, a basic annuity plan, and the Thrift Savings Plan. The Agency and the employee contribute to Social Security and the basic annuity plan at rates prescribed by law. In addition, the Agency is required to contribute to the Thrift Savings Plan a minimum of 1 percent per year of the basic pay of employees covered by this system and to match voluntary employee contributions up to 3 percent of the employee's basic pay, and one-half of contributions between 3 percent and 5 percent of basic pay. For FERS employees, the Agency also contributes the employer's share of Medicare. The maximum amount of base pay that an employee participating in FERS may contribute is $17,500 in calendar year (CY) 2014 to this plan. Employees belonging to CSRS may also contribute up to $17,500 of their salary in CY 2014 and receive no matching contribution from the NLRB. For CY 2014, the regular and catch-up contributions may not exceed $22,500. The sum of the employees' and the NLRB's contributions are transferred to the Federal Retirement Thrift Investment Board.

OPM is responsible for reporting assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to CSRS participants and FERS employees government-wide, including the NLRB employees. The NLRB has recognized an imputed cost and imputed financing source for the difference between the estimated service cost and the contributions made by the NLRB and covered CSRS employees.

The NLRB does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of OPM. The portion of the current and estimated future outlays for CSRS not paid by the NLRB is, in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government, included in the NLRB's financial statements as an imputed financing source.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits and the FEGLI programs are reported by OPM rather than the NLRB.

SFFAS No. 5, Accounting for Liabilities of the Federal Government, requires employing agencies to recognize the cost of pensions and other retirement benefits during their employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future, and provide these factors to the agency for current period expense reporting. Information was also provided by OPM regarding the full cost of health and life insurance benefits.

In FY 2013, the NLRB, utilizing OPM provided cost factors, recognized $7,613,342 of pension expenses, $8,415,585 of post-retirement health benefits expenses, and $27,146 of post-retirement life insurance expenses, beyond amounts actually paid. The NLRB recognized offsetting revenue of $16,056,073 as an imputed financing source to the extent that these intragovernmental expenses will be paid by OPM. In comparison, in FY 2012, the NLRB, recognized $7,135,213 of pension expenses, $9,782,740 of post-retirement health benefits expenses, and $28,056 of post-retirement life insurance expenses, beyond amounts actually paid. The NLRB recognized offsetting revenue of $16,946,009 as an imputed financing source from OPM.

*See Note 13 for additional information.*

## Q. Operating Leases

The NLRB has no capital lease liability or capital leases. Operating leases consist of real and personal property leases with the General Services Administration (GSA). Regarding NLRB's building lease, the GSA entered into a lease agreement for the NLRB's rental of building space. The NLRB pays GSA a standard level users charge for the annual rental. The standard level users charge approximates the commercial rental rates for similar properties. The NLRB is not legally a party to any building lease agreements, so it does not record GSA-owned properties. The real property leases are for NLRB's Headquarters and Regional Offices and the personal property leases are for GSA cars.

*See Note 12 for additional information on Operating Leases.*

## R. Net Position

Net position is the residual difference between assets and liabilities and is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations are the net result of the NLRB's operations since inception.

## S. Use of Management Estimates

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

## T. Tax Status

The NLRB, as an independent Board of the Executive Branch, a federal agency, is not subject to federal, state, or local income taxes, and, accordingly, no provision for income tax is recorded.

## U. Comparative Data

Comparative data for the prior year have been presented for the principal financial statements and their related notes.

## V. Subsequent Events

Subsequent events and transactions occurring after September 30, 2013 through the date of the auditor's opinion have been evaluated for potential recognition or disclosure in the financial statements. The date of the auditors' opinion also represents the date that the financial statements were available to be issued.

# Note 2. Fund Balance with Treasury

Treasury performs cash management activities for all federal agencies. The net activity represents Fund Balance with Treasury. The Fund Balance with Treasury represents the right of the NLRB to draw down funds from Treasury for expenses and liabilities. Fund Balance with Treasury by fund type as of

September 30, 2013 and September 30, 2012 consists of the following:

## Fund Balance with Treasury by Fund Type:

The status of the fund balance may be classified as unobligated available, unobligated unavailable, and obligated. Unobligated funds, depending on budget authority, are generally available for new obligations in current operations. The unavailable balance includes amounts appropriated in prior fiscal years, which are not available to fund new obligations.

| (in thousands) | General Funds | Escrow Funds | Total Fund Balance with Treasury |
|---|---|---|---|
| FY 2013 Entity Assets | $ 23,108 | | $ 23,108 |
| Non-Entity Assets | | 214 | 214 |
| **Total** | **$ 23,108** | **$ 214** | **$ 23,322** |
| FY 2012 Entity Assets | $ 26,620 | | $ 26,620 |
| Non-Entity Assets | | 210 | 210 |
| **Total** | **$ 26,620** | **$ 210** | **$ 26,830** |

The obligated but not yet disbursed balance represents amounts designated for payment of goods and services ordered but not yet received or goods and services received but for which payment has not yet been made.

Obligated and unobligated balances reported for the status of Fund Balance with Treasury do not agree with obligated and unobligated balances reported on the Statement of Budgetary Resources because the Fund Balance with Treasury includes items for which budgetary resources are not recorded, such as deposit funds and miscellaneous receipts.

Status of Fund Balance with Treasury as of September 30, 2013 and September 30, 2012 consists of the following:

### Fund Balance with Treasury by Availability:

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **Unobligated Balance** | | |
| Available | $ 726 | $ 801 |
| Unavailable | 4,262 | 4,978 |
| Obligated balance not yet disbursed | 18,120 | 20,841 |
| Non-budgetary fund balance with Treasury | 214 | 210 |
| **Totals** | **$ 23,322** | **$ 26,830** |

## Note 3. Fiduciary Activities

Effective for the period beginning after September 30, 2008, the cash received and the investments made for backpay funds will not be recognized on the balance sheet of any federal entity. A note disclosure is still required to provide information about its fiduciary activities.

*See Note 1F, Fiduciary Activities, for further explanation.*

Backpay funds are the standard Board remedy whenever a violation of the NLRA has resulted in a loss of employment or earnings. NLRB holds these funds in an escrow account with Treasury or invests the funds that are authorized by the Regional Compliance Officers and other management officials in market-based Treasury securities issued by the Federal Investment Branch of the Bureau of Public Debt.

There exists a signed MOU between the NLRB and the U.S. Treasury (Treasury) establishing the policies and procedures that the NLRB and the Treasury agree to follow for investing monies in, and redeeming investments held by, the deposit fund account in Treasury.

### Schedule of Fiduciary Activity As of September 30, 2013 and 2012

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| Fiduciary net assets, beginning of the year | $ 5,203 | $ 3,356 |
| Fiduciary revenues | 5,145 | 7,572 |
| Investment earnings | 0 | 0 |
| Disbursements to and on the behalf of beneficiaries | (7,761) | (5,725) |
| Increase (Decrease) in fiduciary net assets | $ (2,616) | $ 1,847 |
| **Fiduciary net assets, end of year** | **$ 2,587** | **$ 5,203** |

### Fiduciary Net Assets As of September 30, 2013 and 2012

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **Fiduciary Assets** | | |
| Cash and cash equivalents | $ 2,587 | $ 5,203 |
| Investments | 0 | 0 |
| **Fiduciary Liabilities** | | |
| Less: Liabilities | 0 | 0 |
| **Total Fiduciary net assets** | **$ 2,587** | **$ 5,203** |

## Note 4. Advances

### Intragovernmental

Intragovernmental Advances to the United States Postal Service (USPS) for September 30, 2013 were $10,605 and $7,983 for September 30, 2012. The remainder of the balance for FY 2013 and FY 2012 was with the Department of Transportation for the transit subsidy.

## Note 5. Accounts Receivable, Net of Allowances for Doubtful Accounts

The FY 2013 intragovernmental accounts receivable is zero and the FY 2012 amount was also zero:

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **With the public** | | |
| Accounts receivable | $ 75 | $ 80 |
| Allowance doubtful accounts | (14) | (3) |
| **Accounts receivable-net** | **$ 61** | **$ 77** |

## Note 6. General Property, Plant and Equipment, Net

General property, plant and equipment consist of that property which is used in operations and consumed over time. The table below summarizes the cost and accumulated depreciation for general property, plant and equipment.

Depreciation expense for the years ended September 30, 2013 and September 30, 2012 was $3,851,380 and $3,921,165 (in dollars), respectively.

| (in thousands) FY 2013 | Asset Cost | Accumulated Depreciation/ Amortization | Net Asset Value |
|---|---|---|---|
| Equipment | $ 2,713 | $ 2,495 | $ 218 |
| Internal Use Software | 23,735 | 17,063 | 6,672 |
| Internal Use Software in Development | 6,796 | 0 | 6,796 |
| **Totals** | **$ 33,244** | **$ 19,558** | **$ 13,686** |

| (in thousands) FY 2012 | Asset Cost | Accumulated Depreciation/ Amortization | Net Asset Value |
|---|---|---|---|
| Equipment | $ 2,667 | $ 2,384 | $ 283 |
| Internal Use Software | 21,859 | 13,323 | 8,536 |
| Internal Use Software in Development | 4,709 | – | 4,709 |
| **Totals** | **$ 29,235** | **$ 15,707** | **$ 13,528** |

## Note 7. Intragovernmental Accounts Payable

These accounts payables are with our federal trading partners of whom the largest amounts are with the General Services Administration (GSA).

## Note 8. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The custodial liability represents amounts collected from the public for court costs, freedom of information requests and other miscellaneous amounts that must be transferred to the Treasury.

The composition of liabilities not covered by budgetary resources as of September 30, 2013 and September 30, 2012, is as follows:

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **Intragovernmental:** | | |
| FECA-Unfunded | $ 720 | $ 765 |
| Total Intragovernmental | 720 | 765 |
| Estimated Future – FECA | 1,009 | 1,631 |
| Accrued Annual Leave | 13,645 | 14,164 |
| Total Liabilities not covered by budgetary resources | 15,374 | 16,560 |
| Total Liabilities covered by budgetary resources | 13,565 | 16,957 |
| **Total Liabilities** | **$ 28,939** | **$ 33,517** |

## Note 9. Non-Entity Assets

Non-Entity assets, restricted by nature, consist of miscellaneous receipt accounts. These amounts represent cash collected and accounts receivable (net of allowance for doubtful accounts). The miscellaneous receipts represent court costs and freedom of information requests that must be transferred to the Treasury.

The composition of non-entity assets as of September 30, 2013 and September 30, 2012, is as follows:

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **Non-entity assets** | | |
| Fund Balance with Treasury | $ 214 | $ 210 |
| **Entity assets** | $ 39,539 | $ 40,410 |
| **Total Assets** | **$ 39,753** | **$ 40,620** |

Additionally, NLRB received a remainder interest in real property valued at approximately $46,000 as part of a settlement. This asset is not included in the table above.

## Note 10. Cumulative Results of Operations

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| FECA paid by DOL | $ (206) | $ (262) |
| FECA – Unfunded | (720) | (765) |
| Estimated Future FECA | (1,009) | (1,631) |
| Accrued Annual Leave | (13,645) | (14,164) |
| General Property, Plant & Equipment, Net | 13,686 | 13,528 |
| Other | 268 | 339 |
| **Cumulative Results of Operations** | **$ (1,626)** | **$ (2,955)** |

## Note 11. Intragovernmental Costs and Exchange Revenue

For the intragovernmental costs, the buyer and seller are both federal entities. The earned revenue is the reimbursable costs from other federal entities. The NLRB provided administrative law judges' services to other federal entities. There is no exchange revenue with the public.

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **Resolve Representation Cases** | | |
| Intragovernmental Costs | $ 8,444 | $ 9,285 |
| Costs with the Public | 35,999 | 38,740 |
| **Total Net Cost - Resolve Representation Cases** | **$ 44,443** | **$ 48,025** |
| | | |
| **Resolve Unfair Labor Practices** | | |
| Intragovernmental Costs | $ 44,332 | $ 46,973 |
| Costs with the Public | 188,996 | 197,783 |
| **Total Net Cost - Resolve Unfair Labor Practices** | **$ 233,328** | **$ 244,756** |
| | | |
| **Other** | | |
| Intragovernmental Costs | $ 6 | $ 11 |
| Less: Intragovernmental Earned Revenue | 6 | 11 |
| **Total Net Cost - Other** | **$ 0** | **$ 0** |
| | | |
| **Net Cost of Operations** | **$ 277,771** | **$ 292,781** |

## Note 12. Operating Leases

**GSA Real Property.** Most of NLRB's facilities are rented from the GSA, which charges rent that is intended to approximate commercial rental rates. The terms of NLRB's occupancy agreements (OA) with GSA will vary according to whether the underlying assets are owned by GSA or another federal agency or rented by GSA from the private sector. The NLRB has OAs with GSA, which sets forth terms and conditions for the space the Agency will occupy for an extended period of time. Included within the OAs are 120 to 180 day notification requirements for the Agency to release space. For purposes of disclosing future operating lease payments in the table below, federally-owned leases are included in years FY 2014 through FY 2018. The Agency expects to incur relocation costs starting in FY 2014 as a consequence of a GSA-mandated space initiative.

Rental expenses for operating leases for the year ended September 30, 2013 were $26,151,885 for

Agency lease space and $2,960,531 for Agency building security. For FY 2012 the operating lease costs were $25,608,420 and the Agency building security portion was $2,545,861.

| **Fiscal Year** (in thousands) | **GSA Real Property** |
|---|---|
| 2014 | $ 26,806 |
| 2015 | 27,476 |
| 2016 | 28,163 |
| 2017 | 28,867 |
| 2018 | 29,588 |
| **Total Future Lease Costs** | **$ 140,900** |

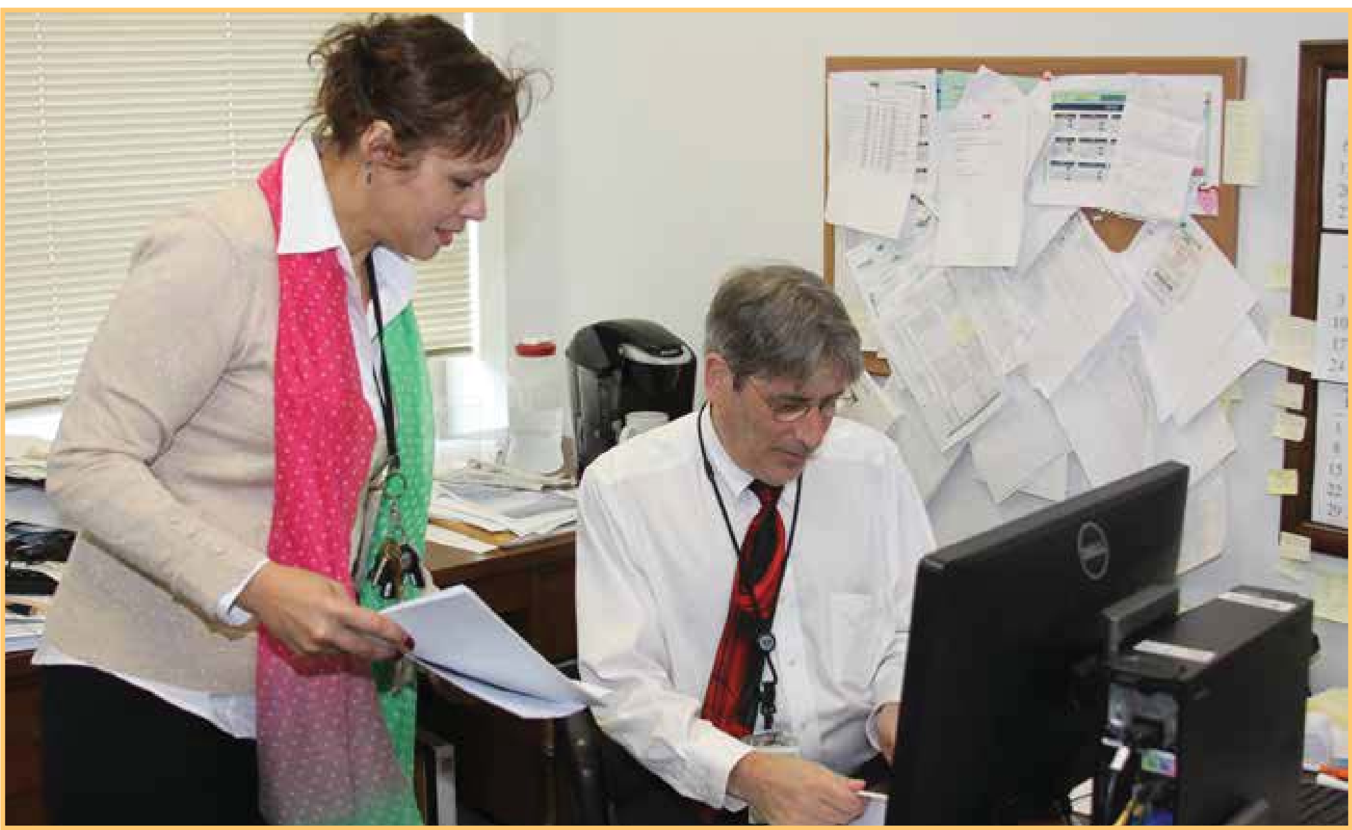
## Note 13. Imputed Financing Costs

OPM pays pension and other future retirement benefits on behalf of federal agencies for federal employees. OPM provides rates for recording the estimated cost of pension and other future retirement benefits paid by OPM on behalf of federal agencies. The costs of these benefits are reflected as imputed financing in the consolidated financial statements. Expenses of the NLRB paid or to be paid by other federal agencies at September 30, 2013 and 2012 consisted of:

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| Office of Personnel Management: | | |
| Pension expenses | $ 7,613 | $ 7,135 |
| Federal employees health benefits | 8,416 | 9,783 |
| Federal employees group life insurance program | 27 | 28 |
| **Total Imputed Financing** | **$ 16,056** | **$ 16,946** |

## Note 14. Appropriations Received

The NLRB received $278,306,006 and $278,833,000 in warrants for the fiscal years ended September 30, 2013 and 2012, respectively. The amount shown on the Statement of Budgetary Resources under caption "Permanently not available" for FY 2013 was the cancelled appropriation for FY 2008 for the amount of $911,385 the rescission amount of $556,612, and the sequestration cut of $14,000,461 for FY 2013. For FY 2012, the total amount was $605,845 for the cancelled appropriation for FY 2007 and rescission amount was $526,994 for FY 2012.



## Note 15. Statement of Budgetary Resources

The Statement of Budgetary Resources provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the entity's budgetary general ledger in accordance with budgetary accounting rules that are incorporated into GAAP for the Federal Government. The total Budgetary Resources of $269,816,869 as of September 30, 2013 and $283,709,914 as of September 30, 2012, includes new budget authority, unobligated balances at the beginning of the year, spending authority from offsetting collections, recoveries of prior year obligations and permanently not available. The NLRB's unobligated balance available at September 30, 2013 was $725,834 and at September 30, 2012 was $801,263.

**Apportionment Categories of Obligations Incurred.** NLRB's obligations incurred as of September 30, 2013 and September 30, 2012 by apportionment Category A and B is shown in the following table. Category A apportionments distribute budgetary resources by fiscal quarters and Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories. Beginning in FY 2010, OMB agreed that it was not necessary for NLRB to separate its information technology funding and therefore all obligations incurred were from one funding category.

| (in thousands) | Apportioned | | Not Subject to Apportionment | Total |
|---|---|---|---|---|
| **FY 2013** | **Category A** | **Category B** | | |
| Obligations Incurred: | | | | |
| Direct | $ 264,823 | – | – | $ 264,823 |
| Reimbursable | 6 | – | – | 6 |
| **Total Obligations Incurred** | **$ 264,829** | **–** | **–** | **$ 264,829** |

| (in thousands) | Apportioned | | Not Subject to Apportionment | Total |
|---|---|---|---|---|
| **FY 2012** | **Category A** | **Category B** | | |
| Obligations Incurred: | | | | |
| Direct | $ 277,920 | – | – | $ 277,920 |
| Reimbursable | 11 | – | – | 11 |
| **Total Obligations Incurred** | **$ 277,931** | **–** | **–** | **$ 277,931** |

## Note 16. Contingencies

The NLRB is involved in various lawsuits incidental to its operations. There is one case involving NLRB employees, that has a reasonable possibility of an unfavorable outcome and costs may be in excess of $100,000. While the ultimate outcome of these matters is not presently determinable, it is the opinion of management that the resolution of outstanding claims will not have a materially adverse effect on the financial position of NLRB.

# Note 17. Reconciliation of Net Cost of Operations to Budget

For the Month Ended September 30, 2013 and 2012

| (in thousands) | FY 2013 | FY 2012 |
|---|---|---|
| **Resources Used to Finance Activities** | | |
| **Current Year Gross Obligations** | **$ 264,829** | **$ 277,931** |
| **Budgetary Resources from Offsetting Collections:** | | |
| Spending Authority from Offsetting Collections | | |
| Earned | | |
| Collected | (37) | (98) |
| Recoveries of Prior Year Unpaid Obligations | (1,162) | (1,617) |
| **Other Financing Resources:** | | |
| Imputed Financing Sources | 16,056 | 16,946 |
| Other | 0 | 0 |
| **Total Resources Used to Finance Activity** | $ 279,686 | $ 293,162 |
| **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 | (585) | 913 |
| Current Year Capitalized Purchases | (4,009) | (4,745) |
| **Components of the Net Cost of Operations which do not Generate or Use Resources in the Reporting Period Revenues without Current Year Budgetary Effect:** | | |
| Other Financing Sources Not in the Budget | (16,056) | (16,946) |
| **Costs without Current Year Budgetary Effect:** | | |
| Depreciation and Amortization | 3,851 | 3,921 |
| Disposition of Assets | 0 | 0 |
| Future Funded Expenses | (564) | (800) |
| Imputed costs | 16,056 | 16,946 |
| Bad Debt Expense | 14 | 8 |
| Other Expenses Not Requiring Budgetary Resources | (622) | 322 |
| **Net Cost of Operations** | **$ 277,771** | **$ 292,781** |