Federal Trade Commission
Office of Inspector General

Independent Auditor's Report and Financial Statements for the Fiscal Years Ended September 30, 2019 and 2018

OIG Report No. A-20-04   November 19, 2019

Office of Inspector General

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

November 19, 2019

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: Joseph J. Simons, Chairman
Noah Joshua Phillips, Commissioner
Rohit Chopra, Commissioner
Rebecca Kelly Slaughter, Commissioner
Christine S. Wilson, Commissioner

SUBJECT: Report on Audit of the FTC's FY 2019 and 2018 Financial Statements

I am pleased to provide you with the attached audit report required by the Accountability of Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Trade Commission's (FTC) financial statements for fiscal years 2019 and 2018. We commend the FTC for attaining an unmodified (clean) opinion for the 23rd consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to audit the financial statements of the FTC as of and for the fiscal years ended September 30, 2019 and 2018, and to provide reports on internal control over financial reporting and compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's *Financial Audit Manual.*

In its audit, Brown & Company found:

- the FTC's financial statements as of and for the fiscal years ended September 30, 2019 and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures performed; and
- no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

Brown & Company is responsible for the attached auditor's report dated November 19, 2019, and the conclusions expressed in the report. We do not express opinions on FTC's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations.

We appreciate the cooperation given by management to Brown & Company and the Office of Inspector General during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 326-3527.

Attachment

FEDERAL TRADE COMMISSION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Prepared By

Brown & Company CPAs and Management Consultants, PLLC

November 19, 2019

FEDERAL TRADE COMMISSION

INDEPENDENT AUDITOR'S REPORT
AND
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INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

In our audits of the fiscal years 2019 and 2018 financial statements of the Federal Trade Commission (FTC), we found

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

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

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

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

Report on the Financial Statements

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FTC's financial statements. FTC's financial statements comprise the balance sheets as of September 30, 2019, and 2018; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

<u>Management's Responsibility</u>

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FTC's financial statements present fairly, in all material respects, FTC's financial position as of September 30, 2019, and 2018, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FTC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of FTC's financial statements, we considered FTC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to FTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of FTC's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered the FTC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control over financial reporting. Accordingly, we do not express an opinion on FTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of FTC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We also identified other deficiencies in FTC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FTC management's attention. We have communicated these matters to FTC management and we will report on them separately in a management letter.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FTC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FTC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

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

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

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

Brown & Company

Greenbelt, Maryland
November 19, 2019

FEDERAL TRADE COMMISSION

BALANCE SHEET

As of September 30, 2019 and 2018

(Dollars in thousands)

	FY 2019	FY 2018
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 387,310	$ 487,600
Accounts receivable, net (Note 4)	85	18
Advances and prepayments	205	232
Total intragovernmental	387,600	487,850
Accounts receivable, net (Note 4)	616,549	598,971
Property, plant, and equipment, net (Note 5)	30,053	38,529
Total Assets	$ 1,034,202	$ 1,125,350
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 737	$ 560
Other liabilities (Note 7)	2,395	2,296
Total intragovernmental	3,132	2,856
Accounts payable	12,529	10,169
Accrued redress due to claimants	616,306	598,515
Undisbursed redress collections (Note 15)	265,432	358,776
Other (Note 7)	23,087	19,673
Total Liabilities	920,486	989,989
Net Position (Note 1(p)):		
Unexpended appropriations	-	-
Cumulative results of operations	113,716	135,361
Total Net Position	113,716	135,361
Total Liabilities and Net Position	$ 1,034,202	$ 1,125,350

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

FEDERAL TRADE COMMISSION

STATEMENT OF NET COST

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	FY 2019	FY 2018
Costs by Strategic Goal (Note 10):		
Strategic Goal 1: Protect Consumers:		
Gross costs	$ 194,138	$ 184,553
Less: earned revenue	(12,031)	(12,311)
Net cost	182,107	172,242
Strategic Goal 2: Maintain Competition:		
Gross costs	150,689	156,580
Less: earned revenue	(130,548)	(133,481)
Net cost	20,141	23,099
Net Cost of Operations	$ 202,248	$ 195,341

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

FEDERAL TRADE COMMISSION

STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	FY 2019	FY 2018
Unexpended Appropriations:		
Beginning balance	-	-
Budgetary Financing Sources:		
Appropriations received	168,228	168,023
Appropriations used	(168,228)	(168,023)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Cumulative Results of Operations:		
Beginning balance	$ 135,361	$ 152,168
Budgetary Financing Sources:		
Appropriations used	168,228	168,023
Other Financing Sources (Non-Exchange):		
Imputed financing	12,375	10,511
Total financing sources	180,603	178,534
Net cost of operations (Note 10)	(202,248)	(195,341)
Net change	(21,645)	(16,807)
Cumulative Results of Operations	113,716	135,361
Net Position (Note 1(p))	$ 113,716	$ 135,361

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

FEDERAL TRADE COMMISSION

STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	FY 2019	FY 2018
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 22,817	$ 33,167
Recoveries of unpaid prior year obligations	12,241	9,454
Other changes in unobligated balance	177	94
Unobligated balance from prior year budget authority, net	35,235	42,715
Appropriations	168,228	168,023
Spending authority from offsetting collections	142,566	138,317
Total Budgetary Resources	$ 346,029	$ 349,055
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 11)	$ 331,002	$ 326,238
Unobligated balance, end of year:		
Apportioned, unexpired accounts	7,455	18,285
Unapportioned, unexpired accounts	7,572	4,532
Unexpired unobligated balance, end of year	15,027	22,817
Unobligated balance, end of year (total)	15,027	22,817
Total Budgetary Resources	$ 346,029	$ 349,055
Outlays, Net:		
Outlays, gross	$ 318,179	$ 318,589
Actual offsetting collections	(142,690)	(145,907)
Outlays, net	175,489	172,682
Distributed offsetting receipts	(2,283)	(7,816)
Agency outlays, net	$ 173,206	$ 164,866

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

FEDERAL TRADE COMMISSION

STATEMENT OF CUSTODIAL ACTIVITY

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	Protect Consumers	Maintain Competition	FY 2019	FY 2018
Revenue Activity (Note 14):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 129,585	$ 129,585	$ 132,923
Civil penalties and fines	146,745	-	146,745	2,450
Consumer redress	1,778	-	1,778	7,612
Other miscellaneous receipts	190	-	190	204
Total cash collections	148,713	129,585	278,298	143,189
Accrual adjustments	(202)	-	(202)	434
Total Custodial Revenue	$ 148,511	$ 129,585	$ 278,096	$ 143,623
Disposition of Collections (Note 14):				
Transferred to others:				
Treasury general fund	$ 148,713	$ -	$ 148,713	$ 10,266
Department of Justice	-	129,585	129,585	132,923
Amounts yet to be transferred	(202)	-	(202)	434
Total Disposition of Collections	$ 148,511	$ 129,585	$ 278,096	$ 143,623
Net Custodial Activity	$ -	$ -	$ -	$ -

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

FEDERAL TRADE COMMISSION

Notes to the Financial Statements

Note 1—Significant Accounting Policies

(a) Reporting Entity

The accompanying financial statements and notes of the Federal Trade Commission (FTC) include financial activity recorded in all funds under the FTC's control. The FTC maintains these funds including appropriations received for salaries and necessary expenses, as well as non-entity funds that are primarily collections derived from court ordered judgments and settlements held for subsequent distribution to approved claimants.

The FTC records and tracks financial activities using Treasury Account Symbols (TAS). Each TAS included in the agency's fund accounting structure is described below:

General Fund

Salaries and Expenses (TAS 29X0100): Each year, this account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, to fund the necessary expenses of the agency. Offsetting collections include fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, and collections for the National Do Not Call Registry, which operates under Section 5 of the FTC Act. Collections in excess of congressional limits are unavailable by law and are included in the FTC's unavailable – excess offsetting collections. (See Note 3, Fund Balance with Treasury.)

Deposit Fund

Consumer Redress Escrow (TAS 29X6013): This account consists of money collected as a result of court ordered judgments related to the consumer redress program and held temporarily by the FTC until distributed (either directly by the FTC or through a third-party agent) to consumers or harmed entities, or transferred to the General Fund of the U.S. Government. Judgments imposed but not yet collected are accrued as accounts receivable and recorded in this account. Accrued receivables and funds collected are considered non-entity assets under the FTC's custody or management. They do not affect the FTC's net position and are not reported on the agency's Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 15, Consumer Redress Activities.) Funds held by redress third party administrators outside of the U.S. Treasury on behalf of harmed consumers are not part of the FTC reporting entity.

Clearing/Suspense Account

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

Receipt Accounts

Fines, Penalties, and Forfeitures, Customs, Commerce, and Antitrust Laws (TAS 29 1040): Collections of civil penalties imposed in court actions for violations of antitrust acts and FTC orders are deposited into this account. Penalties imposed, but not yet collected, are accrued as accounts receivable and recorded in this account. The cash balance in the account is transferred to the General Fund of the U.S. Government at the end of each fiscal year.

General Fund Proprietary Receipts (TAS 29 3220): Miscellaneous receipts that by law are not available for the FTC's use collections for the consumer redress program for which redress to consumers is not practicable are transferred to the General Fund of the U.S. Government at the end of each fiscal year.

(b) Basis of Presentation and Accounting

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

The FTC's financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and with OMB Circular A-136, Financial Reporting Requirements (as revised June 2019). Transactions are recorded on both an accrual and budgetary basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Accrual methods of accounting may differ from budgetary accounting principles, which are designed to facilitate compliance with legal requirements and controls over the use of Federal funds. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities.

As described in Note 1(a), Reporting Entity, the FTC maintains a single fund to account for salaries and all necessary expenses. Further, there are limited intra-entity transactions with any other fund (e.g., deposit fund) that would require eliminating entries to present consolidated statements. Accordingly, the statements are not labeled consolidated nor is the Statement of Budgetary Resources (SBR) presented as combined. FTC reconciles its intragovernmental activity and works with agency trading partners to reduce significant or material differences in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Assets, liabilities, revenues, and costs are classified in these financial statements according to the type of entity associated with the transactions. Balances classified as intragovernmental arise from transactions with other federal entities. Balances not classified as intragovernmental arise from transactions with individuals or organizations outside of the Federal Government (i.e., with the public).

The FTC presents net cost of operations by its two major strategic goals: Protect Consumers and Maintain Competition. These goals are described in the agency's strategic and performance plan and align with the agency's major programs.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, estimates are used in computing accounts payable for vendor service contracts, the allowance for uncollectible accounts, and the allocation of costs to strategic goals in the Statement of Net Cost. Actual results could differ from the estimated amounts. The vendor accounts payable accrual is an estimate, and is accrued separately from the accounts payable accrual for travel and interagency agreements. In FY 2018, the FTC enhanced its approach to estimating the accrual for vendor accounts payable. The agency uses statistical techniques to evaluate vendor accounts payable balances for previous fiscal years, averages the balances to obtain an accrual estimate, and then adjusts the estimate using a factor that represents the proportional change in obligations between the current and the previous fiscal year. Every year, the agency statistically validates that the yearend vendor accounts payable accrual was reasonable. The validated amount is subsequently used in calculating the following year's estimate, which also considers any changes to invoice payment timeframes that may affect the vendor accounts payable's statistical assumptions.

(d) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out program activities. These funds are available until expended, subject to the OMB apportionment and to congressional restrictions on the expenditure of funds (see FTC's FY 2019 Congressional Budget Justification, pages 3-4, "Appropriations Language Provisions"). In addition, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. The FTC's budget authority is derived from a direct appropriation and offsetting collections. The FTC accounts for budget authority in its General Fund account (29X0100) as reflected in the Statement of Budgetary Resources.

(e) Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. For fiscal years 2019 and 2018, FTC had no classified activities.

(f) Entity and Non-Entity Assets

The FTC reports on both entity and non-entity assets in the financial statements. Assets that the agency is authorized to use in its operations are entity assets. Assets that the agency holds on behalf of another federal agency or a third party and are not available for the FTC's use are non-entity assets. Non-entity assets include collections and accounts receivable that arise from court-order judgments for monetary relief, civil monetary penalties, and the portion of fees collected for premerger notification filings that are distributed to the DOJ in a subsequent period. These non-entity assets are included in the financial statements along with offsetting non-entity liabilities of equal amount. (See Note 2, Entity and Non-Entity Assets.)

(g) Fund Balance with Treasury

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

(h) Accounts Receivable, Net

Accounts receivable, net of allowances, reflect the Federal Accounting Standards Advisory Board (FASAB) standard for the recognition of losses using the collection criterion of "more likely than not." This criterion results in receivable balances that are more conservatively stated than those valued by the private sector under GAAP. FASAB states that it is appropriate to recognize the nature of federal receivables, which, unlike trade accounts of private firms or loans made by banks, are not created through credit screening procedures. Rather, these receivables arise because of the assessment of fines from regulatory violations. In these circumstances, historical experience and economic realities indicate that these types of claims are frequently not fully collectible. Accounts receivable includes estimates of the net cash value from court appointed receivers for which the FTC anticipates the proceeds will be deposited in the Consumer Redress Escrow account (29X6013).

The method used to estimate the allowance for uncollectible accounts consists of individual case analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment record, and the probable recovery amount including the value of assets. Based on the litigation and collection status, cases may be referred to the Treasury for collection action. (See Note 4, Accounts Receivable, Net.)

(i) General Property, Plant, and Equipment

The FTC's property, plant, and equipment (PP&E) consists of general-purpose equipment used by the agency and capital improvements made to buildings leased from the General Services Administration (GSA) by the FTC for office space, as well as software leased and purchased from vendors. The FTC's capitalization policy, *Accounting for Property, Plant, and Equipment*, was updated with an effective date on or after October 1, 2014. PP&E placed in service prior to October 1, 2014, will continue to be accounted for based on the capitalization policy in effect at the time acquired, until fully depreciated or removed from service.

Effective October 1, 2014, capitalization thresholds are as follows:

Asset Type	Capitalization Threshold
Furniture	$ 50,000
General Equipment	$ 50,000
IT Equipment	$ 150,000
Leasehold Improvements	$ 150,000
Internal Use Software	$ 200,000

The FTC reports property and equipment at historical cost and capitalizes acquisitions based on the above thresholds for items with a useful life of two or more years. Property and equipment that meet these criteria are depreciated or amortized using the straight-line method over the estimated useful life of the asset. An exception applies to leasehold improvements, which are amortized over the lesser of the useful life of the asset or the remaining lease term. Assets under development, such as internal use software and leasehold improvements with an estimated aggregate cost meeting the threshold criteria, are capitalized and then amortized once completed and placed into service. Normal repairs and maintenance, and PP&E that do not meet the capitalization criteria, are recognized as an expense in the current period. (See Note 5, General Property, Plant, and Equipment Net.)

(j) Accrued Liabilities and Accounts Payable

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

(k) Employee Health Benefits and Life Insurance

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

(l) Employee Retirement Benefits

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) administered by the OPM. Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984, were allowed to elect joining FERS or remaining in CSRS. For employees participating in CSRS, the FTC contributes 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 13.2 percent to the Federal Employees' Retirement Fund. New employees hired between January 1 and December 31, 2013, participate in FERS-RAE (Revised Annuity Employees). New employees hired on or after January 1, 2014, participate in FERS-FRAE (Further Revised Annuity Employees). The FTC contributes 11.1 percent for both FERS-RAE and FERS-FRAE. In addition, the FTC contributes the employer's matching share to the Social Security Administration under the Federal Insurance Contributions Act, which fully covers FERS participating employees. FTC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. Participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar limit set by law. For those employees participating in FERS, the FTC makes a mandatory 1 percent contribution to this plan and, in addition, matches 100 percent of the first 3 percent contributed by employees and 50 percent of the next 2 percent of employee contributions. CSRS-participating employees do not receive a matching contribution from the FTC. The FTC contributions to the TSP are recognized as current operating expenses.

The FTC does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. This information is reported by the OPM; however, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered using cost factors provided by the OPM that estimate the true service cost of providing the pension benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost. This additional cost is financed by the OPM and recognized as an imputed financing source by the FTC. (See Note 17, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(m) FECA and Other Post-Employment Benefits

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) provides income and medical cost protection to covered Federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL bills the FTC annually for the claims paid and the FTC recognizes the FECA liability for future payment. Payment is deferred for two years to allow for funding through the budget. The FTC also recognizes a FECA actuarial liability, which is an estimate for the future workers compensation as a result of past events using procedures developed by the DOL to estimate the liability. FECA liabilities are reported as not covered by budgetary resources. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The FTC recognizes a current cost of providing post-retirement benefits using cost factors provided by the OPM that estimate the true cost of providing these benefits to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by the OPM and recognized as an imputed financing source by the FTC. (See Note 17, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(n) Annual and Sick Leave

The FTC accrues an annual leave liability when employees earn leave and reduces the liability when employees take leave. The balance in this account reflects the current leave balances and pay rates of the FTC employees. Budget execution rules do not allow this liability to be funded as earned. The liability is funded when leave is taken or when paid out as a lump sum at the end of employment. As a result, accrued annual leave is reported as not covered by budgetary resources. Sick leave is non-vested and expensed as used. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

(o) Contingent Liabilities

Contingent liabilities are liabilities that may be incurred by the FTC depending on the outcome of an uncertain future event, such as pending or threatened litigation. Contingencies are classified into three categories: probable, reasonably possible, and remote. A contingency is considered probable when the future confirming events are likely to occur. Probable contingent liabilities are recognized in the financial statements provided the amount can reasonably be estimated. Contingencies are reasonably possible when the chance of the future confirming event occurring is more than remote but less than probable. Reasonably possible contingencies are disclosed in the notes to the financial statements, as well as probable contingencies that cannot reasonably be estimated. Remote contingencies are not recognized in the financial statements or disclosed in the notes to the financial statements. (See Note 9, Commitments and Contingencies.)

(p) Net Position

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

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

(q) Revenues and Other Financing Sources

The FTC's activities are financed through exchange revenues it receives from others and through an appropriation provided by the Congress. Exchange revenues consist of fees collected for premerger notification filings under the HSR Act and fees collected for the National Do Not Call Registry. Fees are payable to the FTC upon filing under premerger notifications and National Do Not Call Registry. Revenue is recognized as fees are collected. Additionally, exchange revenues include a small amount of reimbursements for services performed under inter-agency agreements. The FTC provides consulting and technical assistance aimed at developing sound competition policies. Reimbursable revenue is recognized as expenses are incurred.

(r) Methodology for Assigning Costs and Exchange Revenues

The FTC allocates costs and exchange revenues on the Statement of Net Cost to its two major strategic goals: Protect Consumers and Maintain Competition. Costs and exchange revenues that are identified specifically with each of these two strategic goals are charged or credited directly. Costs not directly attributable to these two goals, including costs related to the FTC's third goal, Advance Performance, are allocated based on the percentage of direct full-time equivalents supporting each of these two goals. (See Statement of Net Cost and Note 10, Exchange Revenues.)

Note 2—Entity and Non-Entity Assets

The FTC's entity assets are comprised of undisbursed general funds; accounts receivable; advances and prepayments; and property, plant, and equipment. Accounts receivable, net, represents amounts due from other Federal agencies, current and former employees, and vendors. Advances and prepayments include amounts paid to the Department of Transportation (DOT) for transit subsidies on behalf of FTC employees.

The FTC's non-entity assets include fund balance with Treasury and accounts receivable. The fund balance with Treasury consist of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees held in clearing/suspense funds that will be transferred out in a subsequent period. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

Entity and non-entity assets consisted of the following as of September 30, 2019:

(Dollars in thousands)	2019 Entity	2019 Non-Entity	2019 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 121,563	$ -	$ 121,563
Deposit funds - consumer redress	-	265,432	265,432
Clearing/Suspense funds - premerger filing fees	-	315	315
Accounts receivable, net	85	-	85
Advances and Prepayments	205	-	205
Total intragovernmental assets	121,853	265,747	387,600
Accounts receivable, net	7	616,542	616,549
Property, plant and equipment, net	30,053	-	30,053
Total Assets	$ 151,913	$ 882,289	$ 1,034,202

Entity and non-entity assets consisted of the following as of September 30, 2018:

(Dollars in thousands)	2018 Entity	2018 Non-Entity	2018 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 128,824	$ -	$ 128,824
Deposit funds - consumer redress	-	358,776	358,776
Accounts receivable, net	18	-	18
Advances and Prepayments	232	-	232
Total intragovernmental assets	129,074	358,776	487,850
Accounts receivable, net	18	598,953	598,971
Property, plant and equipment, net	38,529	-	38,529
Total Assets	$ 167,621	$ 957,729	$ 1,125,350

Note 3—Fund Balance with Treasury

There are no differences between amounts reported by the FTC and those reported to U.S. Treasury as of September 30, 2019, and 2018. In terms of the relationship to the budget, the FTC's Fund Balance with Treasury (FBwT) consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as non-budgetary deposit funds arising from amounts collected for consumer redress and not yet disbursed to disbursing agents or directly to claimants. The FY 2019 FBwT includes premerger fees in a clearing fund pending distribution. The unobligated balance includes both available and unavailable balances.

The unavailable -unapportioned balance of $7,572 thousand is the result of recoveries that exceeded anticipated and apportioned amounts. The unavailable - excess offsetting collections balance of $26,004 thousand are HSR fees collected above the yearly congressional authorized amount to collect and spend from prior fiscal years and comprises of $6,924 thousand in fiscal year 2018 collections and $19,080 thousand from fiscal years prior to 2018. The unavailable - temporary reduction of $6,450 thousand consists of $5,418 thousand HSR Premerger and $1,032 thousand National Do Not Call Registry offsetting collections sequestered from FY 2013. The difference of $32,454 thousand between the SBR unobligated balance, end of year of $15,027 thousand and the FBwT total unobligated balance of $47,481 thousand is the $26,004 thousand unavailable- excess offsetting collections and unavailable – temporary reduction of $6,450 thousand.

Fund balance with Treasury consisted of the following as of September 30, 2019 and 2018:

(Dollars in thousands)	2019	2018
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 7,455	$ 18,285
Unavailable - unapportioned	7,572	4,532
Unavailable - excess offsetting collections	26,004	26,004
Unavailable - temporary reduction	6,450	6,450
Total Unobligated balance:	47,481	55,271
Obligated balance not yet disbursed	74,082	73,553
Non-budgetary fund balance with Treasury	265,747	358,776
Total Status of Fund Balance with Treasury	$ 387,310	$ 487,600

Note 4—Accounts Receivable, Net

The majority of the FTC's accounts receivable are non-entity accounts receivable arising from the settlement or litigation of administrative and federal court cases in connection with the consumer redress program, and from civil monetary penalties imposed for violation of an FTC order and/or antitrust acts. Because of the nature of these receivables, they are frequently not fully collectible and are offset with a significant allowance. The allowance for uncollectible accounts is based on an analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment history, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with offsetting non-entity liabilities. Agency accounts receivable balances for both FY 2019 and FY 2018 do not include any amounts associated with criminal restitution.

Non-entity redress gross accounts receivable is the court ordered judgment amount, usually a calculated amount of ill-gotten gains by the defendant(s). The related allowance for uncollectible accounts is the estimate the FTC will not collect from the defendant(s), which often is a large percentage of the judgment. The majority of the net accounts receivable balance for both FY 2019 and FY 2018 is comprised of a judgment for $493,716 thousand against AbbVie, Inc. This judgment, recorded in the 4th quarter of FY 2018, currently has no allowance as a bond for the full amount of the judgment is with the court while the defendant's appeal is decided by the Court of Appeals.

Net interest and the related allowance for doubtful accounts balance was recorded as of September 30, 2019. Accumulated unrecognized interest on receivables deemed uncollectible totaled $11,655 thousand and $6,412 thousand as of September 30, 2019, and 2018, respectively.

Accounts receivable, net consisted of the following as of September 30, 2019:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2019 Net
Entity Accounts Receivable:			
Intragovernmental	$ 85	$ -	$ 85
With the public	9	2	7
Total entity accounts receivable	94	2	92
Non-Entity Accounts Receivable:			
Consumer redress	2,556,346	1,940,040	616,306
Civil penalties	1,029	793	236
Total non-entity accounts receivable	2,557,375	1,940,833	616,542
Total Accounts Receivable	$ 2,557,469	$ 1,940,835	$ 616,634

Accounts receivable, net consisted of the following as of September 30, 2018:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2018 Net
Entity Accounts Receivable:			
Intragovernmental	$ 18	$ -	$ 18
With the public	57	39	18
Total entity accounts receivable	75	39	36
Non-Entity Accounts Receivable:			
Consumer redress	2,674,249	2,075,734	598,515
Civil penalties	39,826	39,388	438
Total non-entity accounts receivable	2,714,075	2,115,122	598,953
Total Accounts Receivable	$ 2,714,150	$ 2,115,161	$ 598,989

Note 5—General Property Plant, and Equipment, Net

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2019, and 2018. No asset impairments were recognized in either year. The accumulated depreciation has increased by $2,548 thousand while the current year depreciation and amortization expense is $8,435 thousand (Note 17, Reconciliation of Net Operating Cost and Net Budgetary Outlays.) Asset disposals during FY 2019 resulted in the removal of $6,396 thousand in capitalized acquisition costs and $5,887 thousand of accumulated depreciation and amortization. A loss of $509 thousand on asset disposition was recorded in FY 2019. Assets disposed of included desktops, laptops, wide-area network (WAN) circuits, data storage devices, and switching equipment, among others. In FY 2018, the FTC recorded asset disposals resulting in the removal of $4,386 thousand in capitalized acquisition costs and $4,286 thousand in accumulated depreciation and amortization.

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

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 years	$ 21,298	$ 18,249	$ 3,049
Leasehold improvements	15 years	46,301	20,563	25,738
Software	5 years	21,367	20,101	1,266
Total Property, Plant, and Equipment		$ 88,966	$ 58,913	$ 30,053

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

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 years	$ 25,802	$ 18,837	$ 6,965
Leasehold improvements	15 years	46,301	17,564	28,737
Software	5 years	22,791	19,964	2,827
Total Property, Plant, and Equipment		$ 94,894	$ 56,365	$ 38,529

Note 6—Liabilities Not Covered by Budgetary Resources

The FTC recognizes two categories of liabilities not covered by budgetary resources described below:

Liabilities Not Covered by Budgetary Resources

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

Liabilities Not Requiring Budgetary Resources

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

Accrued Civil Penalties due to Treasury - offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the General Fund of the U.S. Government.

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

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

Deposits in Clearing Funds – refunds of premerger fees due to vendors not processed by the end of the reporting period.

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2019:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2019 Total
Intragovernmental Liabilities:			
FECA liability	$ 449	$ -	$ 449
Other employment related liability	-	-	-
Accrued civil penalties due to Treasury	-	236	236
Total Intragovernmental Liabilities	449	236	685
Non-Federal Liabilities:			
Accrued leave	12,617	-	12,617
Actuarial FECA	2,548	-	2,548
Undisbursed redress collections	-	265,432	265,432
Accrued redress due to claimants	-	616,306	616,306
Contingencies	843	-	843
Deposits in Clearing Funds	-	315	315
Total Non-Federal Liabilities	16,008	882,053	898,061
Total Unfunded Liabilities	16,457	882,289	898,746
Liabilities Covered by Budgetary Resources			21,740
Total Liabilities			$ 920,486

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2018:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2018 Total
Intragovernmental Liabilities:			
FECA liability	$ 358	$ -	$ 358
Other employment related liability	3	-	3
Accrued civil penalties due to Treasury	-	438	438
Total Intragovernmental Liabilities	361	438	799
Non-Federal Liabilities:			
Accrued leave	11,455	-	11,455
Actuarial FECA	2,146	-	2,146
Undisbursed redress collections	-	358,776	358,776
Accrued redress due to claimants	-	598,515	598,515
Contingencies	-	-	-
Deposits in Clearing Funds	-	-	-
Total Non-Federal Liabilities	13,601	957,291	970,892
Total Unfunded Liabilities	13,962	957,729	971,691
Liabilities Covered by Budgetary Resources			18,298
Total Liabilities			$ 989,989

Note 7 – Other Liabilities

As of September 30, 2019, and 2018, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities along with a categorization of current versus non-current are as follows:

Other Liabilities consisted of the following as of September 30, 2019:

(Dollars in thousands)	2019 Non-Current	2019 Current	2019 Total
Other Intragovernmental Liabilities:			
Accrued employee benefits	$ -	$ 1,710	$ 1,710
FECA liability	449	-	449
Accrued civil penalties due to Treasury	-	236	236
Total Other Intragovernmental Liabilities	449	1,946	2,395
Other Non-Federal liabilities:			
Accrued payroll and benefits	-	6,764	6,764
Accrued leave	12,617	-	12,617
Actuarial FECA	2,548	-	2,548
Contingencies	843	-	843
Deposits in clearing funds	-	315	315
Total Other Non-Federal Liabilities	16,008	7,079	23,087
Total Other Liabilities	$ 16,457	$ 9,025	$ 25,482

Other Liabilities consisted of the following as of September 30, 2018:

(Dollars in thousands)	2018 Non-Current	2018 Current	2018 Total
Other Intragovernmental Liabilities:			
Accrued employee benefits	$ -	$ 1,500	$ 1,500
FECA liability	358	-	358
Accrued civil penalties due to Treasury	-	438	438
Total Other Intragovernmental Liabilities	358	1,938	2,296
Other Non-Federal Liabilities:			
Accrued payroll and benefits	-	6,072	6,072
Accrued leave	11,455	-	11,455
Actuarial FECA	2,146	-	2,146
Contingencies	-	-	-
Deposits in clearing funds	-	-	-
Total Other Non-Federal Liabilities	13,601	6,072	19,673
Total Other Liabilities	$ 13,959	$ 8,010	$ 21,969

Note 8—Operating Leases

Leases of government-owned and commercial-owned property are made through and managed by the GSA. The FTC does not have any lease agreements with non-federal entities. While leases with the GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the amounts that will be paid in the future to the GSA under signed lease agreements. The FTC currently leases spaces from four government-owned properties and six commercial properties totaling approximately 590 thousand square feet for use as offices, storage, and parking. The FTC's government leases expire on various dates through 2029, while the commercial leases expire at various dates through 2031. Future minimum lease payments are presented in the table below.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2019:

Fiscal Year 2019 (Dollars in thousands)		FY 2019
2020	$	8,262
2021		8,274
2022		8,232
2023		8,084
2024		8,096
Thereafter		39,542
Total Future Minimum Lease Payments	**$**	**80,490**

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2019:

Fiscal Year 2019 (Dollars in thousands)		FY 2018
2020	$	14,542
2021		14,864
2022		15,727
2023		15,719
2024		7,507
Thereafter		10,845
Total Future Minimum Lease Payments	**$**	**79,204**

Note 9—Commitments and Contingencies

The FTC is subject to potential liabilities in various administrative proceedings, legal actions, and claims brought against the agency. In the opinion of legal counsel and the FTC management, there are no "probable" or "reasonably possible" contingencies as of September 30, 2019, and 2018 that will require funding through the FTC's budget. Furthermore, there are no pending probable or reasonably possible claims where the probable loss cannot be estimated. Accordingly, no obligations are recorded in the agency's financial statements in relation to contingent liabilities.

Tort claims against federal agencies are administered and resolved by the DOJ with amounts necessary for resolution funded through the U.S. Treasury Judgment Fund. The Judgment Fund was enacted by Congress in 1956 as a permanent, indefinite appropriation for the payment of claims that did not have another funding source. The FTC recorded $843 thousand as of September 30, 2019 for probable contingencies that will require funding through the Judgment Fund. No probable contingencies were recorded on September 30, 2018. The recognition of claims to be funded through the Judgment Fund represents a claim against the federal government as a whole and should not be interpreted as claims against the assets of the FTC. The range for contingent liabilities subject to funding from the Judgment Fund where the risk of loss is either probable or reasonably possible is presented below:

Contingent Liabilities as of September 30, 2019:

		Estimated Range of Loss	
(Dollars in Thousands)	Accrued Liabilities	Lower End	Upper End
FY 2019:			
Legal Contingencies:			
Probable	843	843	1,700
Reasonably Possible		-	-

Contingent Liabilities as of September 30, 2018:

		Estimated Range of Loss	
(Dollars in Thousands)	Accrued Liabilities	Lower End	Upper End
FY 2018:			
Legal Contingencies:			
Probable	-	-	-
Reasonably Possible		-	-

Note 10—Exchange Revenues

The Statement of Net Cost presents the FTC's costs and exchange revenues for its two major strategic goals. The exchange revenues and related costs are presented by the major strategic goals they support and are further classified as "intragovernmental" or "public." Intragovernmental costs and exchange revenues arise from transactions with another federal entity and public costs and exchange revenues arise from transactions with non-federal entities.

The FTC's intragovernmental costs are for services received from other federal agencies under reimbursable agreements to carry out its programs. The federal agencies providing the services bill the FTC based on full cost recovery. The FTC recognizes costs based on the services it receives from other agencies.

Federal Exchange Revenues

A small portion of the FTC's overall exchange revenue is intragovernmental arising from services provided to other federal agencies under interagency agreements. The FTC bills requesting agencies to recover the full cost of services, primarily employee salaries, and recognizes revenue at the time expenditures are incurred. The reimbursable revenue and costs are $965 thousand for FY 2019 and $575 thousand for FY 2018.

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

Fees collected for premerger notification filings under the HSR Act - The HSR Act requires entities to file premerger notifications with the FTC and the Antitrust Division of the DOJ and establishes a waiting period before certain mergers, acquisitions, or transfers of assets may be completed. The filing fees are determined by the values and sizes of involved parties. By law, the FTC retains one-half of all premerger filing fees collected and remits the other one-half to the DOJ's Antitrust Division.

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

The HSR and DNC fees are determined based on their respective congressional authorities. Each year, language in the appropriations bill specifies the amount of fees collected that the FTC can use to offset its annual appropriation. While the fees relate to major strategic goals, the fees are not related to specific costs incurred. As a result, the information below presents the full cost of operations with related exchange revenues by the FTCs two primary strategic goals.

Exchange revenues and related costs by strategic goal for the fiscal years ended September 30, 2019 and 2018

(Dollars in thousands)	2019	2018
Strategic Goal 1: Protect Consumers		
Intragovernmental gross costs	$ 49,532	$ 44,845
Public costs	144,606	139,708
Gross costs, Protect Consumers	194,138	184,553
Intragovernmental earned revenue - reimbursements	(2)	(17)
Public earned revenue - Do Not Call registry fees	(12,029)	(12,294)
Earned revenue, Protect Consumers	(12,031)	(12,311)
Net Cost, Protect Consumers	182,107	172,242
Strategic Goal 2: Maintain Competition		
Intragovernmental gross costs	38,447	38,048
Public costs	112,242	118,532
Gross costs, Maintain Competition	150,689	156,580
Intragovernmental earned revenue - reimbursements	(963)	(558)
Public earned revenue - premerger filing fees	(129,585)	(132,923)
Earned revenue, Maintain Competition	(130,548)	(133,481)
Net Cost, Maintain Competition	20,141	23,099
Net Cost of Operations	$ 202,248	$ 195,341

Note 11—Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations incurred consisted of the following for the fiscal years ended September 30, 2019 and 2018:

(Dollars in thousands)		2019		2018
Obligations Incurred:				
Category A - direct obligations	$	330,033	$	325,871
Category B - reimbursable obligations		969		367
Total Obligations Incurred	$	331,002	$	326,238

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

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

The FTC does not have any activity exempt from apportionment or apportioned under Category AB.

Note 12—Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The Budget of the United States Government (President's Budget) contains budget proposals for the upcoming fiscal year along with forecasted results for the current fiscal year and actual results for the previous fiscal year. The most current version of the President's Budget is the FY 2020 President's Budget, which contains FY 2018 actual results. There are no material differences between amounts reported in the FY 2018 Statement of Budgetary Resources and the FY 2018 actual amounts as reported in the FY 2020 President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2021 Budget of the United States Government is not available to compare FY 2019 actual amounts to the FY 2019 Statement of Budgetary Resources. The expected availability for this report is February 2020 on the OMB's website.

Note 13—Undelivered Orders at the End of the Period

Undelivered obligations consisted of the following as of September 30, 2019 and 2018:

(Dollars in thousands)		2019		2018
Non-Federal Undelivered Orders Unpaid	$	46,393	$	46,116
Federal Undelivered Orders Unpaid		6,329		9,463
Federal Undelivered Orders Paid		205		232
Total Federal Undelivered Orders		6,534		9,695
Total Undelivered Orders	$	52,927	$	55,811

Note 14—Custodial Activities

The primary custodial activities of the FTC are:

Premerger Filing Fees

Fees collected for premerger notification filings under the HSR Act are divided evenly between the FTC and the DOJ. The portion of collections designated for the DOJ is reported as a custodial activity. As of September 30, 2019 and 2018, the FTC collected $259,170 and $265,846 thousand respectively, in HSR premerger filing fees. One-half of the amounts collected in each year was distributed to the DOJ, as shown on the Statement of Custodial Activity.

Civil Penalties

Civil monetary penalties and antitrust violations collected in connection with the settlement or litigation of the FTC's administrative or Federal court cases are collected by either the FTC or the DOJ as provided by law. In those situations where the FTC collects the penalties, the funds are deposited in a receipt account with the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases that are held until final disposition of the cases. All civil penalties collected are transferred to the General Fund of the U.S. Government at the end of the fiscal year.

Consumer Redress

Collections for consumer redress reported on the Statement of Custodial Activity are limited to those collections that have been disgorged to the Treasury. Net disgorgements to the Treasury were $1,778 thousand as of September 30, 2019 and $7,612 thousand as of September 30, 2018.

Other line items on the Statement of Custodial Activity include:

Accrual Adjustments

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

Amounts Yet To Be Transferred

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

Note 15—Consumer Redress Activities

The FTC obtains funds for consumer redress in connection with the settlement or litigation of both administrative proceedings and Federal court cases. The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. The FTC attempts to distribute funds to injured parties whenever possible. If redress is determined to be practicable, funds are either directly disbursed by the FTC to claimants or are transferred to accounts at financial institutions from which redress third party administrators process claims and disburse proceeds to injured parties. Disbursements to claimants and third party administrators totaled $350,058 thousand and $591,345 thousand as of September 30, 2019, and 2018.

In those cases where consumer redress is not practicable, funds are transferred (disgorged) to the Treasury, or on occasion, used for consumer education or another purpose as directed by the final order issued by the court. Major components of the redress program include eligibility determination, claimant notification, and administration of redress to claimants.

Redress fund activities consisted of the following for the fiscal years ended September 30, 2019 and 2018:

(Dollars in thousands)		2019		2018
Consumer Redress:				
Fund Balance with Treasury				
Beginning balance	$	358,776	$	431,573
Collections		258,492		526,160
Disbursements to claimants and third party administrators for redress, net		(350,058)		(591,345)
Disgorgements to Treasury, net		(1,778)		(7,612)
Total Fund Balance with Treasury, Ending	$	265,432	$	358,776
Accounts Receivable, Net				
Beginning balance	$	598,515	$	69,887
Net activity		17,791		528,628
Total Accounts Receivable, Ending	$	616,306	$	598,515

Note 16 — Inter-Entity Costs

Goods and services may be received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. In accordance with accounting standards, certain costs of the providing federal entity that are not fully reimbursed are recognized as imputed costs in the Statement of Net Cost and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and financing sources relate to employee benefits paid by the OPM. No other unreimbursed costs of goods and services are included in the FTC's financial statements as imputed costs and imputed financing sources.

Note 17 — Reconciliation of Net Operating Cost and Net Budgetary Outlays

The reconciliation schedules presented below bridge the gap between the net operating costs presented on the Statement of Net Cost and the net outlays presented on the Statement of Budgetary Resources for the fiscal years ended September 30, 2019, and 2018. The increase in agency outlays is primarily due to the reduction in redress amounts disgorged to the Treasury, which are displayed as distributed offsetting receipts.

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the fiscal year ended September 30, 2019 and 2018:

	FY 2019		
(Dollars in Thousands)	**Intragovernmental**	**With the Public**	**Total**
Net Operating Cost (SNC)	$ 87,014	$ 115,234	$ 202,248
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(8,435)	(8,435)
Losses on Asset Dispositions	-	(509)	(509)
Increase/(Decrease) in Assets	40	(11)	29
(Increase)/Decrease in Liabilities	(881)	(5,056)	(5,937)
Imputed Costs	(12,375)	-	(12,375)
Expense Offsets for Capitalized Costs	-	-	-
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(13,216)	(14,011)	(27,227)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	468	468
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	(315)	(315)
Miscellaneous Receipts	-	(1,968)	(1,968)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(1,815)	(1,815)
Net Outlays (Calculated)	$ 73,798	$ 99,408	$ 173,206
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 318,179
Actual Offsetting Collections			(142,690)
Outlays, Net (SBR)			$ 175,489
Distributed Offsetting Receipts			(2,283)
Agency Outlays, Net (SBR)			$ 173,206

	FY 2018		
(Dollars in Thousands)	**Intragovernmental**	**With the Public**	**Total**
Net Operating Cost (SNC)	$ 82,318	$ 113,023	$ 195,341
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(9,907)	(9,907)
Losses on Asset Dispositions	-	(1,540)	(1,540)
Increase/(Decrease) in Assets	(55)	(63)	(118)
(Increase)/Decrease in Liabilities	557	(403)	154
Imputed Costs	(10,510)	-	(10,510)
Expense Offsets for Capitalized Costs	-	(629)	(629)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(10,008)	(12,542)	(22,550)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	(109)	(109)
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	-	-
Miscellaneous Receipts	-	(7,816)	(7,816)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(7,925)	(7,925)
Net Outlays (Calculated)	$ 72,310	$ 92,556	$ 164,866
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 318,589
Actual Offsetting Collections			(145,907)
Outlays, Net (SBR)			$ 172,682
Distributed Offsetting Receipts			(7,816)
Agency Outlays, Net (SBR)			$ 164,866