

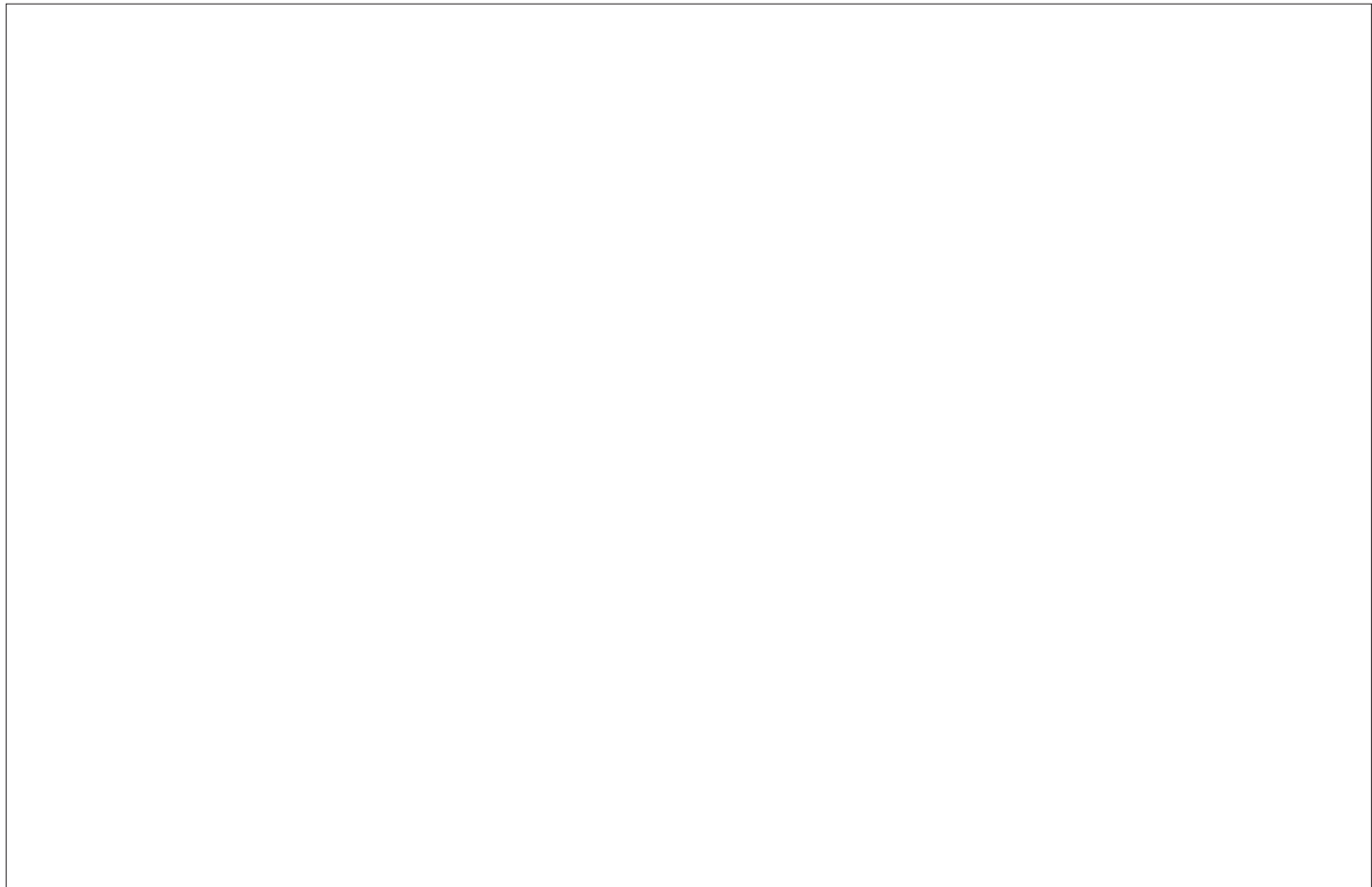


**AMERICAN BATTLE
MONUMENTS COMMISSION**

Fiscal Year 2018 Annual Report

Y · AMERICAN EXPEDITIONARY FORCES 1917-1918

AMERICAN BATTLE MONUMENTS COMMISSION
1100 G STREET, N.W. WASHINGTON, D.C. 20540



Radioman 2nd Class Julius Pieper was laid to rest at Normandy American Cemetery on June 19, 2018 next to his twin brother, Radioman 2nd Class Ludwig Pieper.

On the cover:

Tours American Monument in France.



AMERICAN BATTLE
MONUMENTS COMMISSION

“Time will not dim the glory of their deeds.”

GENERAL OF THE ARMIES JOHN J. PERSHING

*American Battle Monuments Commission
2300 Clarendon Boulevard, Suite 500
Arlington, VA 22201*

www.abmc.gov



Letter from the Secretary

Within these pages we present the Commission's financial statements and performance results for the year ending September 30, 2018. Fiscal Year 2018 was an historic period for the Commission, with a number of Centennial commemorations of America's participation in World War I. The Great War was the genesis for the creation of our Commission, in 1923, at the urging of General of the Armies John J. Pershing, Commander-in-Chief of the American Expeditionary Forces and our first Chairman.

Nearly 31,000 war dead are buried in the Commission's nine World War I cemeteries, and nearly 4,500 are memorialized on the cemeteries Walls of the Missing. All of the cemeteries held special Memorial Day ceremonies with a centennial theme, and significant international events were held at the Meuse-Argonne and St. Mihiel cemeteries in France to commemorate major American combat operations that led directly to the Armistice that ended four years of devastating combat. The Meuse-Argonne campaign remains the largest land battle fought by American forces; the 14,246 buried at Meuse-Argonne American Cemetery and the 954 names inscribed on the cemetery's memorial loggias remind us daily of the courage and selfless sacrifice displayed on those fields of battle. A record crowd of more than 7,000 attended the Meuse-Argonne ceremony. ABMC's centennial remembrances were to conclude with an October ceremony at Flanders Field American Cemetery in Belgium; an Armistice Day ceremony at Suresnes American Cemetery, near Paris; and Armistice Day wreath-laying remembrances at each of the other 25 ABMC cemeteries worldwide.

With the conclusion of the World War I centennial period, the Commission's attention will pivot toward World War II, beginning with three significant commemorations in 2019:

1. 75th Anniversary of the Anzio Landings in January, at Sicily-Rome American Cemetery in Italy;
2. 75th Anniversary of the D-Day landings in June, at Normandy American Cemetery in France; and,
3. 75th Anniversary of the Southern landings in August, at Rhone American Cemetery in France.

In the midst of the World War I centennial planning and execution, President Donald Trump appointed a new ABMC Board of Commissioners. ABMC's authorizing legislation (36 U.S.C., Chapter 21) states that the president may appoint up to 11 members to the commission, all of whom serve at the pleasure of the president. Former President Barack Obama's appointees served 12 months into the new Administration, until January 2018, when President Trump appointed Jennifer Carroll, Dorothy Gray, Thomas Hicks, John McGoff, Luis Quinonez, Evans Spiceland and Robert Wefald to the board, and gave me the honor of serving as secretary. The president subsequently appointed board members David Urban in May, Benjamin Cassidy in June, and Robert Ord in August. The president named David Urban to serve as the eleventh chairman of ABMC in July.

As the fiscal year ended, we were nearing completion of a \$10 million project to replace the Trani stone in the World War II and Korean War Courts of the Missing at the Honolulu Memorial, a restoration that became necessary when attempts to remove staining on the original stone were unsuccessful. We set high maintenance standards for our commemorative sites, given the service and sacrifice they honor. We have embarked on a similar project to restore the Bellicourt Monument in France, which commemorates the achievements and sacrifices of the 90,000 American troops that served in battle with the British Armies during the First World War.

Also nearing completion at year's end was the New Zealand Memorial, which we are placing in the National War Memorial Park in Wellington, New Zealand. Last year we reported our expectation of dedicating the memorial this past summer, but the complexity of the stone fabrication delayed shipment by several months. The dedication is now set for December 2018. In Iceland, our previously reported plan to place a World War II monument in the Hvalfjörður near Reykjavik, a strategic base of U.S. operations during the war, continued to be delayed by the uncertainties of site acquisition. The Board of Commissioners was to meet soon after the fiscal year ended to review agency programs and priorities, which may influence the future direction of our new memorials program, including the Iceland monument initiative.



William M. Matz

Our ability to share the stories of service and sacrifice with our visitors was advanced significantly with the opening of one new visitor center and the beginning of construction of visitor centers at two other sites. At the Chateau-Thierry Monument, where we commemorate the Americans who served and fought in the Aisne-Marne region of France during World War I, we converted a portion of the monument's basement into a state-of-the-art facility. The new center was dedicated during a World War I Centennial ceremony on Memorial Day, and has seen robust visitation since its opening.

We also began construction of new visitor centers at Manila American Cemetery in the Philippines and at the Lafayette Escadrille Memorial Cemetery outside Paris, France. The Manila center is a long-overdue addition to our only World War II commemorative cemetery in the Pacific; we expect to dedicate the visitor center in October 2019, on the 75th Anniversary of General Douglas MacArthur's return to the Philippines. At the Lafayette Escadrille Memorial Cemetery, we are converting an old caretaker's cottage into a visitor center that will share the storied history of America's earliest combat aviators. We are planning to dedicate this facility on Memorial Day 2019.

Two other visitor center projects in progress as FY 18 ended were site selection studies for a future facility at Netherlands American Cemetery, and a refresh of the exhibits at the Normandy American Cemetery in France. The Normandy center was our first modern visitor center to open when it was dedicated in 2007; the refresh will be completed in time for the 75th Anniversary commemoration of the D-Day Landings on June 6, 2019. The Netherlands visitor center is projected for completion in 2021.

All of these visitor centers have a common purpose: to provide historical context for visitors who have no personal connection to the world wars and little to no understanding of why these U.S. cemeteries were created. It is incumbent on us to preserve the stories of those buried or memorialized within them, and the values for which they died. Telling this story through visitor centers at our cemeteries and through education initiatives in the United States has become an increasingly important mission focus for the Commission.

Partnerships we have developed with sister agencies of the Federal Government also are important to our commemorative mission.

We have been working with the National Cemetery Administration (NCA) since 2011 on the vision of building a visitor center within the NCA's National Memorial Cemetery of the Pacific in Honolulu. The Punchbowl, as the cemetery is known, is the site of ABMC's Honolulu Memorial, which honors the missing of World War II in the Pacific, the Korean War, and the Vietnam War. The visitor center project had to be placed on hold for several years when it became evident that staining on the stone in the World War II and Korean War Courts of the Missing could not be mitigated and the stone would have to be replaced. More than 18,000 names of those listed as missing in action or lost or buried at sea during the Second World War, and more than 8,200 names from the Korean War are inscribed within these courts. A ceremony to rededicate these Courts of the Missing is planned for November 2018, during which we also will commemorate the 75th Anniversary of the Battle of Tarawa, as families of some of those lost during the battle place rosettes alongside their family member's name to signify that the remains have since been recovered and identified.

Our nation's commitment to account for all of its missing led to another important partnership with the Defense POW/MIA Accounting Agency (DPAA). With scientific improvements in forensic identification methodologies, DPAA has accelerated the disinterment of Unknown remains buried in ABMC's World War II cemeteries, a national priority we support fully.

Another very important partnership is developing with the National World War II Museum in New Orleans. We have been invited to collaborate on a permanent exhibit on how our nation honors its war dead, and to expand that story into a broader education program nationwide.

Finally, during this reporting period we completed a long-planned move of the Commission's Overseas Operations Office from the city of Garches in the suburbs of Paris to downtown Paris. The Garches location had served as the overseas office for decades, but over time its design and security shortfalls could no longer be justified or mitigated. The move to the new offices was completed in the first quarter of Fiscal Year 2018, providing our staff with a much more secure and convenient location for its frequent interactions with U.S. Embassy staff and French government institutions.

Each year we acknowledge the tremendous support we receive from the Administration and the Congress for our commemorative mission. This was again demonstrated at the end of the fiscal year when Congress passed our FY 2019 Appropriation, which included an additional \$28.9 million above our \$75.1 million request. This plus-up will allow us to fund the long-overdue Honolulu Memorial visitor center; a critical replacement of the irrigation system at Manila American Cemetery, our largest cemetery with more than 17,000 graves; and the Netherlands American Cemetery visitor center.

ABMC cemeteries and memorials remain as sentinels in the foreign lands where our men and women selflessly sacrificed their lives for our freedom and the freedom of others. Our agency's mission is timeless, as their service and sacrifice must never be forgotten. This imperative is perhaps best stated in the words of General Pershing, who promised that "Time will not dim the glory of their deeds." That remains as relevant today as it was when written in the aftermath of the First World War.

William M. Matz



Management's Discussion and Analysis

Mission and Organization

ABMC's Mission Statement

As the preeminent guardian of America's overseas commemorative cemeteries and memorials, the American Battle Monuments Commission honors the service of the armed forces by designing, constructing, maintaining and operating permanent American cemeteries, and establishing, maintaining, and approving designs of memorials, monuments, and markers where America's armed forces have served beyond our borders.

Mission

The American Battle Monuments Commission (the Commission) — guardian of America's overseas commemorative cemeteries and memorials — honors the service, achievements and sacrifice of the United States armed forces. Since 1923, the Commission has executed this mission by (1) commemorating the achievements and sacrifices of America's armed forces through the erection and maintenance of suitable memorial shrines in the U.S. when authorized by Congress and where they have served overseas since April 6, 1917; (2) designing, constructing, operating, and maintaining permanent American military burial grounds in foreign countries; and (3) controlling the design and construction on foreign soil of U.S. military memorials, monuments, and markers by other U.S. citizens and organizations, both public and private, and encouraging their maintenance. The Commission's fiscal year 2018 appropriation supported its continued commitment to the worldwide responsibilities that flow from this mission.

In performance of its mission, the Commission administers, operates, and maintains 26 permanent American military cemeteries; 29 federal memorials, monuments, and markers; and eight nonfederal memorials. Three memorials are located in the United States; the remaining memorials and all of the Commission's cemeteries are located in 15 foreign countries, the U.S. Commonwealth of the Northern Mariana Islands, the Midway Atoll, and the British dependency of Gibraltar. The Commission's World War I, World War II, and Mexico City cemeteries are closed to future burials except for the remains of U.S. war dead discovered in World War I and II battle areas.

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

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

During fiscal year 2018, the Commission continued to ensure that its commemorative cemeteries and memorials remain fitting shrines to those who have served our nation in uniform since America's entry into World War I.

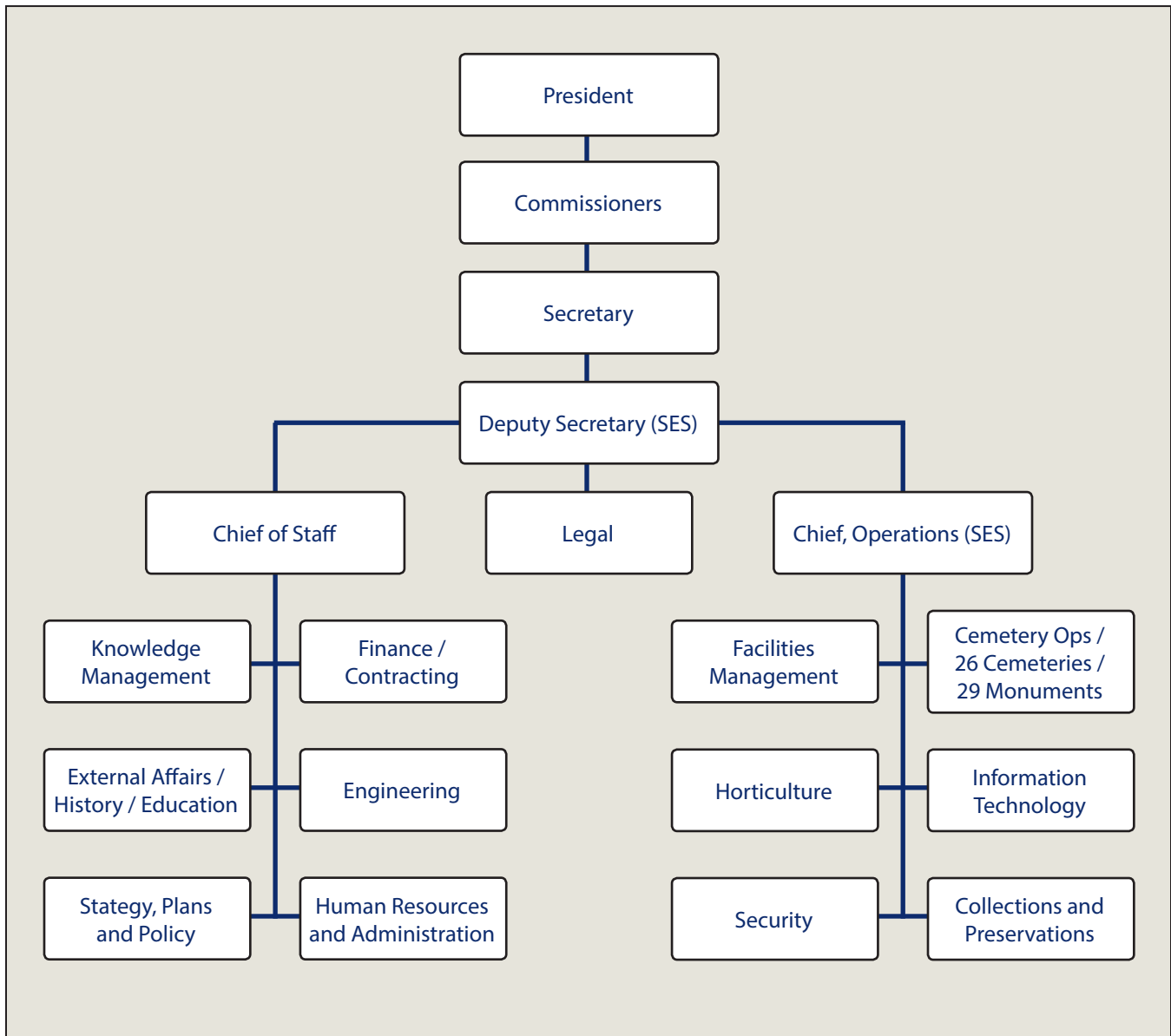


Figure 1: The Commission's Organizational Structure

Organizational Structure

The Commission's organizational structure for fiscal year 2018 is shown in Figure 1.

The Commission's policy-making body consists of a Board of Commissioners comprised of up to 11 members appointed by the President of the United States for an indefinite term and who serve without pay. However, the members of the Commission may receive reimbursement for actual expenses related to the work and travel of the Commission. The commissioners establish policy and ensure proper staff functioning in carrying out the mission of the Commission.

During inspection visits to Commission cemeteries, they observe, inquire about, comment upon, and make recommendations on any and all aspects of Commission operations. The Commission's daily operations are directed by an Executive Level Secretary who is assisted by a Deputy Secretary and Chief Operations Officer.

The Commission's headquarters is in Arlington, Virginia and an Overseas Operations Office is located in Paris, France. For fiscal year 2018, the Commission had a total of 425 full-time equivalent (FTE) positions.



Management's Discussion and Analysis

Operations Management

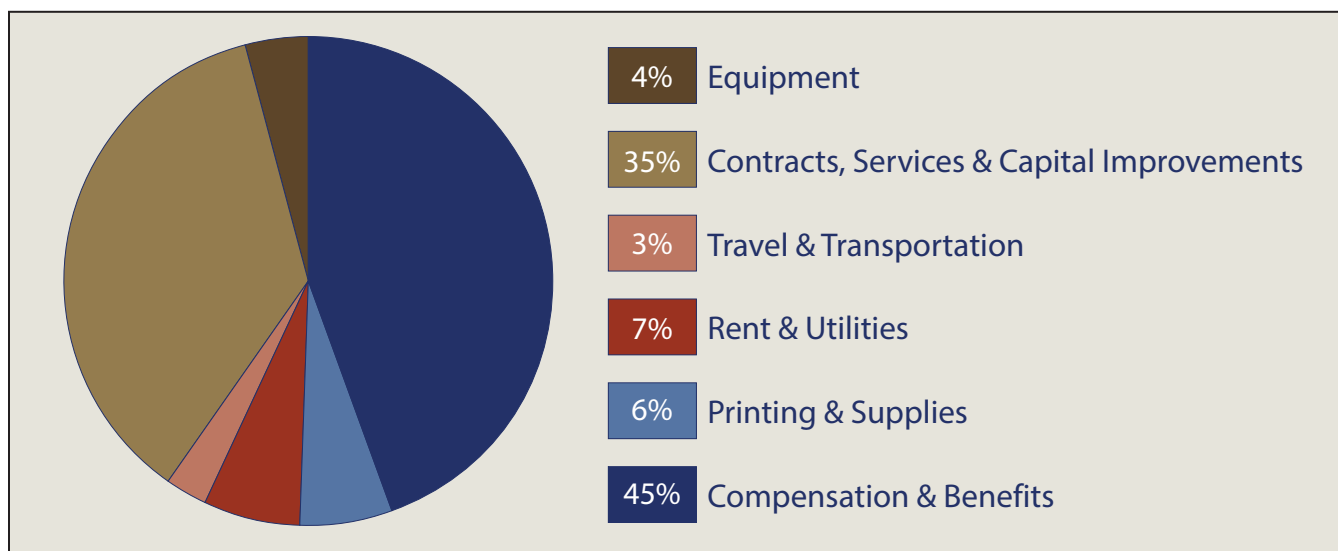


Figure 2: Fiscal Year 2018 Obligations by Object Class

Operations management activities in fiscal year 2018 focused on funding salaries and benefits, service fees, scheduled maintenance and repairs, supplies, materials, spare parts, replacement of uneconomically repairable equipment, and capital improvements.

For fiscal year 2018, the Commission received \$79,000,000 from appropriations in its Salaries and Expenses account. The Commission's Foreign Currency Fluctuations Account appropriation for fiscal year 2018 contained "such sums as may be necessary" language. Figure 2 shows how the Commission obligated funding from its Salaries and Expenses account, by object class.

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

The Commission prioritizes the use of its engineering, maintenance and horticulture funds carefully to ensure the most effective and efficient utilization of its available resources. This care includes the upkeep of graves and headstones, memorial structures within and external to the cemeteries, visitor facilities, quarters for assigned personnel, roads and paths, and ornamental landscaping and fine lawns, all on approximately 1,700 acres of land.

Care and maintenance of these resources requires exceptionally intensive labor at the Commission's cemeteries and memorials. Compensation and benefits consumed approximately 45% of the Commission's fiscal year 2018 spending, while the remaining 55% supported engineering, maintenance, horticulture, logistics, interpretation, services, supplies and other administrative costs critical to its operations.



Management's Discussion and Analysis

Performance Highlights

An overview of ABMC's strategic goals and a brief discussion of ABMC's results by strategic goal follows.

Focus Area 1: Operational Enhancement

The American Battle Monuments Commission (ABMC) is the guardian of America's overseas commemorative cemeteries and memorials. In this role, we carry out a noble mission to honor the service of United States armed forces. We do this by maintaining our commemorative sites to an exceptional standard and by telling the story of those we honor. As an independent federal agency, ABMC has a global presence with a culturally diverse workforce. As such, there are inherent challenges associated with operational aspects, including internal communications amplified by dissimilar languages, work processes, cultural multiplicity, leadership and management effectiveness, common standards, and training requirements. It is imperative that these challenges are transformed into opportunities and strengths in order for us to not only continue to fulfill our mission, but to enhance our operational efficiency and effectiveness as guardians of America's overseas commemorative cemeteries and memorials.

A strategic priority of ABMC is to achieve operational enhancements through several key objectives, as follows:

- ★ Improve internal communications agency-wide;
- ★ Tell the story;
- ★ Clarify and formalize the roles and responsibilities of headquarters and overseas counterparts;
- ★ Institute an internal control program;
- ★ Improve, streamline, standardize and clarify administrative, financial, and procurement procedures;
- ★ Sustain equal employment opportunity mandates; and,
- ★ Establish an innovation review board.

The collective result of these objectives offers a number of benefits: They generate common expectations, standards, and lexicon; encourage innovations; create a culture of transparency, ownership, shared knowledge, collaboration, and sense of team; re-affirm shared values; improve stewardship of resources; and enhance the visitor experience. The agency has met all operational enhancement goals set for FY 2018.

Focus Area 2: Security, Safety, and Welfare

As a globally dispersed organization featuring a culturally diverse staff, the challenges of the twenty-first century command our attention to a rapidly evolving and unpredictable security environment. Threats to our personnel, visitors, cemeteries, memorials and facilities range from those with a low probability but high severity (ex: acts of terrorism that could shut down facilities and result in loss of life), to those with high probability but low severity (ex: a network virus that temporarily interrupts communications and services). These threats can manifest themselves from both external and internal sources. The most important priority is the security, safety and welfare of our employees and our visitors. Conditions and maintenance of our offices, grounds, equipment, and facilities, with an emphasis on safe working procedures, all influence the welfare of our workforce, which in turn impacts our effectiveness.

The agency's strategic goal is to create a secure and safe environment that promotes the welfare of our people, thereby generating a workforce unencumbered with associated concerns, and focused on efficient and effective mission execution and service through the following objectives:

- ★ Conduct an agency-wide threat assessment;
- ★ Prepare an emergency management and disaster preparedness plan; and
- ★ Complete the planning and execution for relocation of the Overseas Operations Office.

While security, safety, and welfare are leadership responsibilities, they demand the full engagement by the entire ABMC workforce. This Focus Area places these entities in the forefront of concerns as a strategic imperative. As a result, a mixture of specific technical and administrative measures, combined with common sense and awareness, will ensure that security, safety and welfare are paramount considerations woven into every aspect, effort, plan, and activity undertaken by our staff. This will result in a work environment of confidence, mutual support, and effectiveness. Preliminary results show that ABMC is on track to meet targets within the next fiscal year.

Focus Area 3: Knowledge Management

Knowledge Management is a concept that facilitates an integrated approach to identifying, retrieving, evaluating, and sharing an enterprise's tacit (what people know) and explicit (documentary) information. First, the Knowledge Management process focuses on the people and the institutional culture by creating and fostering an environment of sharing and collaboration throughout the entire ABMC workforce. Second, it encourages the transformation of processes into systems that will better support the ABMC mission. Third, it promotes the use of smart technologies to empower ABMC personnel to produce more effective results.

ABMC's strategy is to align the Commission with state-of-the-art knowledge management initiatives by leveraging twenty-first century best practices and technologies to transform our culture, products, services and information into an asset of more value and relevance to the global community. The route to a successful implementation of a Knowledge Management environment requires significant changes in the overall processes and culture of an organization. The Knowledge Management Maturity Model (KMMM) shall analyze the complete scope of key areas of knowledge management, such as organizational environment, culture, technology and strategy. ABMC will develop a KMMM report to define the agency's current position and future direction. We will work towards conducting knowledge audits to identify, quantify and measure knowledge assets within the agency to determine effective processes and systems. The agency continues to work towards achieving its goals for Knowledge Management.



The 100th anniversary of the Meuse-Argonne Offensive was marked with a formal ceremony at Meuse-Argonne American Cemetery in September 2018.

Focus Area 4: Collections and Preservation

ABMC is the guardian of America's overseas commemorative cemeteries and memorials. Inherent in this mission is the care and accountability of not only the cemeteries, memorial structures, and landscapes themselves, but also the Commission's collection – the full spectrum of material culture associated with ABMC and its operations over the past 93 years. In the course of meeting agency duties, ABMC is adding to the historic record by maintaining its cemeteries and monuments, constructing new visitor center facilities, keeping an administrative record, actively collecting specific objects and artifacts in support of visitor education and enhanced scholarship, and maintaining cultural resources including historic structures, cultural landscapes, and archeological features. The Collections & Preservation Directorate was established to preserve ABMC's tangible history so that we can better tell the stories of those we honor.

ABMC is well known for its impeccable maintenance of cemeteries, memorials, architectural elements, and their associated designed landscapes. This new directorate will extend that same standard of excellence to the long-term protection and preservation of agency cultural resources, including: material culture, document and photographic collections, cultural landscapes, archeological features, and historic structures throughout ABMC-managed cemeteries and memorials, the Arlington Headquarters, and the Overseas Operations Office. The strategic direction for ABMC Collections & Preservation is informed by legal mandates, field-oriented operational needs, input from the Superintendents Leadership Council, and agency priorities as defined by the Commissioners, Secretary, Deputy Secretary and Chief Operations Officer.

The agency's strategic goal is to identify, evaluate, document, and preserve ABMC collections, cultural landscapes, archeological features, and historic structures so that the Commission can have better access to its past, inform present and future decisions, and provide physical and intellectual access to its collections to facilitate telling the compelling stories of those who are commemorated at ABMC sites. ABMC will establish an interim collections storage solution, develop a comprehensive strategy for long-term storage, and increase collaboration with professionals of various disciplines. The Commission met all FY 2018 goals for collections and preservation.



A soldier places a candle on a headstone at Meuse-Argonne American Cemetery for a luminary that coincided with the 100th anniversary of the Meuse-Argonne Offensive.

Focus Area 5: Training and Development

ABMC is staffed with a professional and dedicated workforce characterized by an array of disciplines, skills, and experiences. The depth and variety of expertise and knowledge is an invaluable resource which must be leveraged to meet the global demands of the twenty-first century, while continuing to render the highest honor in the execution of our mission. Long-term sustainability and continuing relevance of the American Battle Monuments Commission rests ultimately on our people. This mandates the continued professional development of a diverse and talented workforce encompassing a broad range of skills, knowledge, and abilities.

The agency will establish civilian training and development as an enduring priority within ABMC that encompasses all training areas: mandatory annual training, supervisory development, functional training, career program training, leader development programs and self-development opportunities. Leaders and employees alike must make civilian training and professional development a top priority. Every leader must take a personal role in their professional development and the professional development of those they supervise. The benefits that ABMC will work to achieve include:

- ★ Develop and implement a training and professional development program management system;
- ★ Establish and conduct leader and manager developmental training;
- ★ Develop and implement structured training programs for locally engaged staff in the cemeteries;
- ★ Develop and implement cultural awareness training/education; and
- ★ Develop an agency-wide human capital plan.

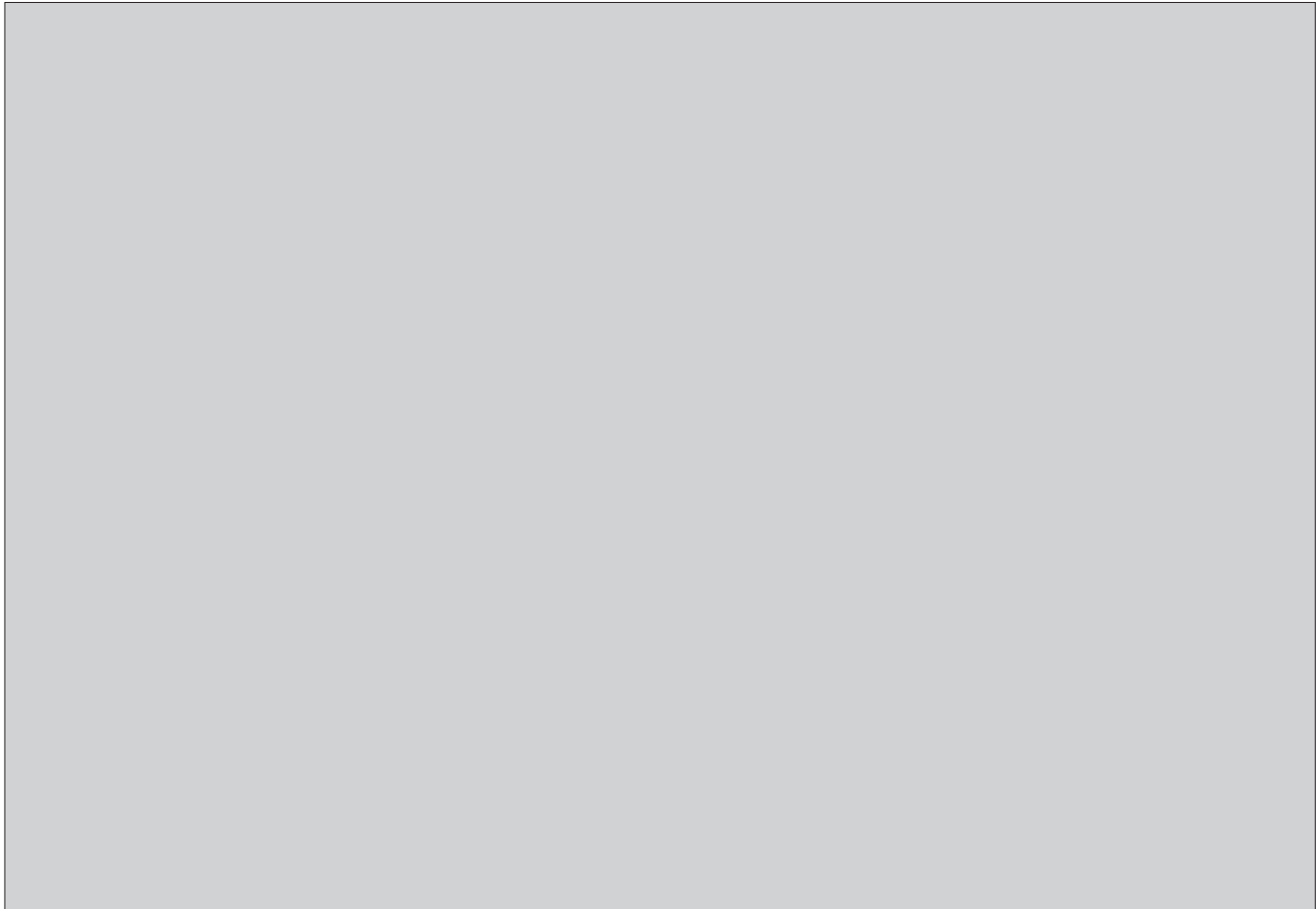
A professional and skilled workforce is achieved and sustained by an organizational commitment to training and professional development. Such a program must position for success an intellectually agile, flexible, and innovative culture that adheres to the highest standards of professionalism and the values of the American Battle Monuments Commission. The agency is on track to meet its goals for training and development.



Volunteers from the Air Force Sergeants Association and their families came to Cambridge American Cemetery to place flags in preparation for Memorial Day 2018.



Pfc. Manuel Luna, who served in the 142nd Infantry Regiment, 36th Infantry Division, died August 27, 1944. Nearly 74 years after his death, four members of the Luna family traveled from Texas to Rhone American Cemetery in France to honor their uncle. The gentleman kneeling in the photo was named after this uncle who paid the ultimate price in World War II.



The 100th anniversary of the St. Mihiel Offensive was marked with a formal ceremony at St. Mihiel American Cemetery. Secretary William M. Matz (center) laid a wreath during the ceremony.



Above: Attendees gathered at North Africa American Cemetery in Tunisia for the 2018 Memorial Day Ceremony.

Left: Soldiers fold the American flag.



Management's Discussion and Analysis

Financial Analysis

Assets

The Consolidated Balance Sheet reflects total assets of \$112.0 million at the end of fiscal year 2018, a decrease of \$8.8 million from the \$120.8 million at the end of fiscal year 2017. The Fund Balance with Treasury line item decreased by \$8.4 million, which is attributable to continuing to execute projects related to a \$30.0 million increase in the Commission's budget by Congress in fiscal year 2016 that is to be used for security, WWI Centennial, and other large planned projects at cemeteries and monuments. General Property and Equipment decreased by \$0.4 million mainly due to amortization of leasehold improvements at the Commission's new office space in downtown Paris, France. The Commission's assets reflected in the Consolidated Balance Sheet were as follows:

Assets by Type

	2018	%	2017	%
Fund Balance with Treasury	109,597,584	98%	118,034,461	98%
Cash and Foreign Accounts	13,836	0%	29,531	0%
Accounts Receivable and Employee Advances	86,627	0%	—	0%
General Property and Equipment, Net	2,337,208	2%	2,752,736	2%
Total Assets	112,035,255	100%	120,816,728	100%

Liabilities

The Commission's Consolidated Balance Sheet reflects total liabilities of \$15.9 million at the end of fiscal year 2018, a \$2.4 million increase from the previous year's total liabilities of \$13.5 million. The increase is mainly attributable to deferred rent associated with new office space obtained in Paris, France and at the Headquarters in Arlington, Virginia. Liabilities are categorized as intragovernmental liabilities or liabilities held with the public. Intragovernmental liabilities totaled \$0.9 million in fiscal year 2018 compared to \$0.3 million in fiscal year 2017. Liabilities held with the public totaled \$15.0 million in fiscal year 2018 compared to \$13.1 million in fiscal year 2017. The composition of the Commission's liabilities was as follows:

Liabilities by Type

	2018	%	2017	%
Accounts Payable	9,448,491	60%	8,234,585	61%
Other Liabilities	6,415,118	40%	5,240,011	39%
Total Liabilities	15,863,609	100%	13,474,596	100%

The new visitor center at Chateau-Thierry American Monument was dedicated in May 2018.

Net Position

The Commission's Consolidated Balance Sheet and Consolidated Statement of Changes in Net Position reflect a Net Position of \$96.2 million at the end of fiscal year 2018, a 10% decrease from the \$107.3 million net position in fiscal year 2017. The decrease is mainly attributable to the decrease in Fund Balance with Treasury and an increase in deferred rent liability. Net Position is the sum of Unexpended Appropriations and Cumulative Results of Operations.

Net Costs

The Commission's total net cost of operations for fiscal year 2018 was \$90.8 million. This represents an increase of \$5.9 million from the Commission's net cost of operations of \$84.9 million in fiscal year 2017. The increase is mainly attributable to the increased security requirements and increased guard forces in the cemeteries.

Budgetary Resources

The Consolidated Statement of Budgetary Resources provides information on how budgetary resources were made available to the Commission for the year and the status of these resources at fiscal year-end. For the 2018 fiscal year, the Commission had total budgetary resources of \$159.0 million, which represents a 1% increase from fiscal year 2017 levels of \$157.3 million. Budget authority of \$79.1 million consisted of appropriations received. The Commission incurred obligations totaling \$100.0 million in fiscal year 2018 compared with fiscal year 2017 obligations incurred of \$79.6 million. The increase was due to better performance in budget execution.

Net Outlays reflect the actual cash disbursed against previously established obligations. For fiscal year 2018, the Commission had net outlays of \$87.6 million, compared to \$83.3 million in net outlays in fiscal year 2017, an increase of 5%.

Heritage Assets

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

Heritage assets are significant to the mission of the Commission, which is to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories: cemeteries, federal memorials, and nonfederal memorials. Through September 30, 2018, the Commission had 26 cemeteries, 29 federal memorials and 8 nonfederal memorials. Presently, nearly 140,000 U.S. war dead and others are interred in these cemeteries. Commemorated individually by name on tablets at the cemeteries and federal memorials are over 94,000 war dead, whose remains were not recovered. The cemeteries and federal memorials encompass nearly 1,650 acres. This land is provided to the Commission through host nation agreements for permanent use as cemeteries and memorials.



Management's Discussion and Analysis

Statements and Controls

Financial Statements and Limitations

The Commission is required to obtain an independent audit of its financial statements under the Accountability of Tax Dollars Act of 2002. The Commission has selected Harper, Rains, Knight and Company to conduct its fiscal year 2018 financial audit.

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

Management Assurances: Systems, Controls, Legal Compliance

Federal Managers' Financial Integrity Act (FMFIA)

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

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

Based on its evaluation, the Commission concluded that there is reasonable assurance that its internal control over effectiveness and efficiency of operations as of September 30, 2018 was operating effectively and met the objectives of both Sections 2 and 4 of the FMFIA. The reasonable assurance concept recognizes that the cost of internal controls should not exceed the benefits expected to be derived and that the benefits reduce the risk of failing to achieve stated objectives.

Anti-Deficiency Act

The Anti-Deficiency Act prohibits federal employees from:

- ★ making or authorizing an expenditure from, or creating or authorizing an obligation under, any appropriation or fund in excess of the amount available in the appropriation or fund unless authorized by law;
- ★ involving the government in any obligation to pay money before funds have been appropriated for that purpose, unless otherwise allowed by law;
- ★ accepting voluntary services for the United States, or employing personal services not authorized by law, except in cases of emergency involving the safety of human life or the protection of property; and
- ★ making obligation or expenditure in excess of an apportionment or reappportionment, or in excess of the amount permitted by agency regulations.

The agency implemented effective internal controls to track commitments, and ensured managers are knowledgeable about the current year's appropriations and budget to ensure compliance. The agency did not have any Anti-Deficiency Act violations during FY 2018.

Pay and Allowance System for Civilian Employees as provided in 5 U.S.C. Chapters 51-59

The Pay and Allowance System for Civilian Employees requires employees to be paid at the appropriate rates established by law, including general pay increases. The Commission ensures that pay and allowances for agency employees are appropriately administered and executed in accordance with laws, regulations, and agency policies.

Prompt Payment Act

The Prompt Payment Act of 1982, as amended, provides government-wide guidelines for establishing due dates on commercial invoices and provides for interest payment on invoices paid late.

Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act requires establishing and maintaining safeguards and internal controls for the charge card program.

The Commission assessed the charge card program as directed by the guidance provided in OMB Circular A-123 Appendix B, OMB Memorandum M-12-12 *Promoting Efficient Spending to Support Agency Operations*, and OMB Memorandum M-13-21 *Implementation of the Government Charge Card Abuse Prevention Act of 2012*. The agency continues to review and update its policies to help prevent improper payments and deter misuse of cards.

Federal Information Security Management Act of 2002, as amended by the Federal Information Security Modernization Act of 2014

The Federal Information Security Management Act of 2002 (FISMA 2002) requires each federal agency to establish and maintain an information security program for all non-national security information and information systems. To further improve cybersecurity and clarify oversight responsibilities, Congress passed the Federal Information Security Modernization Act of 2014 (FISMA 2014). FISMA 2014 is intended to address the increasing sophistication of cybersecurity attacks, promote the use of automated security tools with the ability to continuously monitor and diagnose the security posture of federal agencies, and provide for improved oversight of federal agencies' information security programs.

The agency last submitted its FISMA report on October 31, 2018 in compliance with OMB Memorandum M-17-05, *Fiscal Year 2016-2017 Guidance on Federal Information Security and Privacy Management Requirements*. In its submission, the Commission reported progress made toward meeting the 2018 FISMA metrics. The agency continues to work towards strengthening its information security program.

Digital Accountability and Transparency (DATA) Act

The Digital Accountability and Transparency Act of 2014 is intended to make Federal spending data more accessible, searchable, and reliable. The U.S. Department of the Treasury (Treasury) and OMB are leading the government-wide implementation of the DATA Act.

The Commission was successful in uploading its data into the data broker by the reporting deadline. The agency has continued to review and reconcile its procurement and accounting data to ensure that we will successfully meet the quarterly filing requirements.

Federal Financial Management Improvement Act (FFMIA)

Under the Federal Financial Management Improvement Act of 1996, agencies are required to report on whether their financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the United

States Standard General Ledger (USSGL) at the transaction level. Since the Commission is not a CFO Act Agency, it is not subject to the FFMIA.

The Commission uses the Interior Business Center (IBC) to process its financial and payroll transactions. IBC provides the Commission SSAE 18 internal control reports for the financial and payroll systems. The Commission reviewed the SSAE 18 reports and determined that the servicing organization's relevant information processing objectives and internal controls were adequate. For those servicing providers' control objectives that can only be achieved if complimentary user controls are suitably designed and operating effectively, the Commission ensured controls were in place and operating effectively. Thus, the Commission's financial management system complied with the requirements of FFMIA and produced records in accordance with USSGL at the transaction level.

Accountability of Tax Dollars Act

ATDA requires the preparation of financial statements by the federal agencies that were exempted by the Chief Financial Officers Act of 1990. OMB Circular A-136, *Financial Reporting Requirements*, enables agencies to produce a consolidated Performance and Accountability Report or a separate Agency Financial Report. The Commission chose to produce an Agency Financial Report. This report meets the requirements of the Act.

The Commission's financial statements are audited each year. The Commission received an unmodified opinion for FY 2018 (see Independents Auditor's Report on page 18).

Future Effects, Risks, and Uncertainties

Changes in the rate of exchange for foreign currencies have a significant impact on the Commission's day-to-day operations. In order to insulate the Commission's annual appropriation against major changes in its purchasing power, legislation was enacted in 1988 (codified in 36 U.S.C. 2109) to establish a foreign currency fluctuation account in the U.S. Treasury. The Commission closely monitors fluctuations between the U.S. dollar and various foreign currencies as its budget is disproportionately affected by foreign currency fluctuation. Legislation was enacted which included "such sums as may be necessary" language for the Commission's fiscal year 2018 FCFA appropriation. This allows the Commission to preserve its purchasing power against a suddenly falling U.S. dollar against the euro. With this language the Commission will continue to estimate and report its FCFA requirements as it has in the past. However, when a need arises where the amount forecast by the Commission for this account is insufficient, the Commission will submit an adjusted estimate to the Office of Management and Budget, and then to the Congress.

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



Letter from the CFO

I am pleased to present the American Battle Monuments Commission's financial statements for the FY 2018 Annual Financial Report (AFR). The AFR provides us the opportunity to report the results of our commitment to the efficient and effective stewardship of resources entrusted to the Commission to carry out our mission. The independent accounting firm of Harper, Rains, Knight & Company issued an unmodified opinion on the Commission's FY 2018 financial statements – the twentieth consecutive year the Commission has received a clean audit opinion. Behind this success is not only the exceptional work performed by the CFO team, but also the efforts of the Chiefs, Directors and Contracting Officer's Representatives throughout the agency. Of course, none of the improvement would have been possible without the commitment and support of our Commissioners, Secretary, Deputy Secretary and Chief Operations Officer.

During the past year there were several other key accomplishments. For example, the Commission:

- ★ Implemented a new "Project Management Office" to champion consistent project management practices that will allow the Commission to effectively prioritize and manage projects and resources, helping the Commission to fulfill its mission and strategic goals.
- ★ Resolved the significant deficiency related to the lack of an Enterprise Risk Management (ERM) Framework. The Commission continues to integrate ERM into its business processes to identify, assess and manage risks to ensure that funding is committed to the highest-ranked initiatives and programs.
- ★ Implemented Contract Lifecycle Management (CLM), a contract writing system that is fully integrated with the Oracle financial management system.
- ★ Transitioned to the Invoice Processing Platform (IPP), a secure, Web-based service that more efficiently manages government invoicing from purchase order through payment notification, at no charge to the Commission or its vendors.

Looking forward to FY 2019, in addition to sustaining its audit readiness, the Commission will:

- ★ Partner with our Shared Service Provider to upgrade to a more recent version of the Oracle Federal Financial software, providing additional functionality and stronger integration with the CLM module.
- ★ Expand its internal controls program and test and evaluate key controls, and also incorporate the risk process into the ongoing activities of the Commission.
- ★ Together with all Interior Business Center client agencies, transition to a new financial reporting tool.

The accomplishments outlined in this report are the result of the Commission's employees' hard work and dedication to the mission. The unmodified audit opinion and financial accomplishments reflect the organizational commitment to sound financial management. We will continue to support the Agency's mission, while being exemplary stewards of the funds entrusted to us by the American people. I would like to thank all of the employees at the ABMC and especially the employees within the Finance department.



Christine Philpot

Christine Philpot
Chief Financial Officer



Fiscal Year 2018

Financial Statements and Notes



Harper, Rains, Knight & Company

Independent Auditors' Report

Chairman and Secretary
American Battle Monuments Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the American Battle Monuments Commission (ABMC). ABMC's financial statements comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources, for the fiscal years then ended; and the related notes to the financial statements.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB 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 auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider

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Auditors' Responsibility (continued)

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.

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

Opinion on the Financial Statements

In our opinion, ABMC's financial statements present fairly, in all material respects, ABMC's financial position as of September 30, 2018 and 2017, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB who 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 auditing standards generally accepted in the United States of America, 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 auditors' 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

Our audit was conducted for the purpose of forming an opinion on ABMC's financial statements. The information in the Letter from the Secretary 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.

Other Matters (continued)

The Statement of Board Chairman and CEO, Statement of Chief Financial Officer, and Other Information section has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of ABMC's financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-01, *Audit Requirements for Federal Financial Statements*, we considered the entity's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the entity's internal control over financial reporting. We did not consider all internal controls relevant to operating objectives as broadly established by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to preparing performance information and ensuring efficient operations. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABMC's financial statements are free from material misstatement, we performed tests of its compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the financial statements. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 19-01, *Audit Requirements for Federal Financial Statements*. We caution that noncompliance may occur and not be detected by these tests.

Compliance and Other Matters (continued)

Management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the entity.

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the entity that have a direct effect on the determination of material amounts and disclosures in the entity'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 ABMC.

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards or OMB Bulletin 19-01, *Audit Requirements for Federal Financial Statements*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to ABMC. Accordingly, we do not express such an opinion.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of ABMC's internal control or compliance. These reports are an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

November 15, 2018

AMERICAN BATTLE MONUMENTS COMMISSION

Status of Prior Year Findings

September 30, 2018

Title of Finding from FY17 Audit Report	Prior Year Status	Current Year Status
Implementation of an enterprise risk management (ERM) framework	Significant Deficiency	Resolved



Consolidated Balance Sheets

As of September 30, 2018 and 2017

(in dollars)

	2018	2017
Assets:		
Intragovernmental:		
Fund balance with Treasury (Note 2)	\$ 109,597,584	\$ 118,034,461
Total intragovernmental	109,597,584	118,034,461
Cash and other monetary assets (Note 3)	13,836	29,531
Accounts receivable, net	86,627	-
General property and equipment, net (Note 5)	2,337,208	2,752,736
Total Assets	<u>\$ 112,035,255</u>	<u>\$ 120,816,728</u>
Stewardship PP&E (Note 1, I, 6)		
Liabilities:		
Intragovernmental:		
Accounts payable	\$ 708,591	\$ 226,904
Other (Note 7)	168,931	113,891
Total intragovernmental	877,522	340,795
Accounts payable	8,739,899	8,007,681
Other (Note 7)	6,246,187	5,126,119
Total Liabilities	<u>15,863,608</u>	<u>13,474,595</u>
Net Position:		
Unexpended appropriations-All Other Funds	95,106,547	103,849,753
Cumulative results of operations-Funds from Dedicated Collections	3,644,932	4,737,974
Cumulative results of operations-All Other Funds	(2,579,832)	(1,245,594)
Total Net Position	<u>\$ 96,171,647</u>	<u>\$ 107,342,133</u>
Total liabilities and net position	<u>\$ 112,035,255</u>	<u>\$ 120,816,728</u>

The accompanying notes are an integral part of these statements.



Consolidated Statements of Net Cost

For the Years Ended September 30, 2018 and 2017

(in dollars)

	2018	2017
Gross Program costs:		
Operations and Maintenance:		
Gross costs	\$ 92,443,862	\$ 88,091,253
Less: earned revenue	1,607,344	3,145,855
Net cost of operations (Note 9)	<u>\$ 90,836,518</u>	<u>\$ 84,945,398</u>

The accompanying notes are an integral part of these statements.



Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2018 and 2017
(in dollars)

	2018	2017
Unexpended Appropriations:		
Beginning Balance	\$ 103,849,753	\$ 111,694,375
Budgetary Financing Sources:		
Appropriations Received	79,000,000	75,100,000
Appropriations Used	<u>(87,743,206)</u>	<u>(82,944,622)</u>
Total Budgetary Financing Sources	<u>(8,743,206)</u>	<u>(7,844,622)</u>
Total Unexpended Appropriations	<u>95,106,547</u>	<u>103,849,753</u>
Cumulative Results from Operations:		
Beginning Balance (includes Funds from Dedicated Collections of \$4,737,974 in FY 2018 and \$5,239,351 in FY 2017 (Combined Totals) - See Note 15)	\$ 3,492,380	\$ 4,204,304
Budgetary Financing Sources:		
Appropriations used	87,743,206	82,944,621
Donations and forfeitures of cash and cash equivalents	101,207	399,541
Other Financing Sources (Non-Exchange):		
Imputed financing (Note 12)	<u>564,825</u>	<u>889,312</u>
Total Financing Sources (includes Funds from Dedicated Collections of \$101,207 in FY 2018 and \$399,541 in FY 2017 (Combined Totals) - See Note 15)	88,409,238	84,233,474
Net Cost of Operations (includes Funds from Dedicated Collections of \$1,194,248 in FY 2018 and \$900,918 in FY 2017 (Combined Totals) - See Note 15)	<u>(90,836,518)</u>	<u>(84,945,398)</u>
Net Change	(2,427,280)	(711,924)
Cumulative Results of Operations (includes Funds from Dedicated Collections of \$3,644,932 in FY 2018 and \$4,737,974 in FY 2017 (Combined Totals) - See Note 15)	<u>1,065,100</u>	<u>3,492,380</u>
Net Position	<u>\$ 96,171,647</u>	<u>\$ 107,342,133</u>

The accompanying notes are an integral part of these statements.



Combined Statements of Budgetary Resources

For the Years Ended September 30, 2018 and 2017

(in dollars)

	2018	2017
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	\$ 79,849,639	\$ 81,750,539
Appropriations (discretionary and mandatory)	79,100,736	75,499,540
Total budgetary resources	<u>\$ 158,950,375</u>	<u>\$ 157,250,079</u>
Status of Budgetary Resources:		
New obligations and upward adjustments (Note 13)	\$ 99,955,087	\$ 79,622,860
Unobligated balance, end of year:		
Apportioned, unexpired accounts	56,701,537	74,114,270
Exempt from apportionment, unexpired accounts	2,293,751	3,512,949
Total unobligated balance, end of year (total)	<u>58,995,288</u>	<u>77,627,219</u>
Total budgetary resources	<u>\$ 158,950,375</u>	<u>\$ 157,250,079</u>
Outlays, Net:		
Outlays, net (total) (discretionary and mandatory)	87,553,308	83,254,369
Agency outlays, net (discretionary and mandatory)	<u>\$ 87,553,308</u>	<u>\$ 83,254,369</u>

The accompanying notes are an integral part of these statements.



Notes to Consolidated Financial Statements

For the Years Ended September 30, 2018 and 2017

(in dollars)

Note 1. Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity and Funding Sources

The Commission is an independent agency within the executive branch of the federal government and was created by the Act for creation of the American Battle Monuments Commission, March 4, 1923, 67 P.L. 534; 42 Stat. 1509; 67 Cong. Ch. 283, the current provisions of which are now codified in 36 U.S.C. Chapter 21. The Commission's mission is to commemorate the sacrifices and achievements of U.S. armed forces where they have served overseas since April 6, 1917, the date of the United States entry into World War I, and at locations within the United States and North America when directed by the Congress. The Commission designs, administers, constructs, operates, and maintains 26 American military cemeteries and 29 federal memorials, monuments, and markers (herein collectively referred to as memorials). Three of the memorials are located in the United States while all of the cemeteries and the remaining memorials are located on foreign soil in 15 foreign countries, the Marianas, Midway Atoll and Gibraltar. The Commission is also responsible for maintaining 8 nonfederal memorials with funds received from the memorials' sponsors. The Commission is headquartered in Arlington, Virginia. Field operations are conducted through offices located in Paris, France and Rome, Italy.

The Commission also had responsibility for designing and constructing the National World War II Memorial located on the Mall in Washington, D.C. In accordance with 40 U.S.C. 8906(b), the Commission deposited funds into a separate

Treasury account to offset the memorial's costs of perpetual maintenance. On November 1, 2004, the Commission signed an agreement with the National Park Service to formally transfer the National World War II Memorial to the Service for its future care and maintenance. The Commission is responsible for remaining funds residing in a trust fund in the U.S. Treasury to be used solely to benefit the World War II Memorial for other than routine maintenance expense.

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

C. Basis of Accounting

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

D. Fund Balance with Treasury

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

E. Foreign Currency

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

F. Contributions and Revenue Recognition

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

G. Operating Materials and Supplies

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

H. General Property and Equipment

General property and equipment is composed of real and personal property. Related purchases exceeding \$50,000 are capitalized and depreciated on a straight line basis over the useful life of the item, which for (1) personal property is considered to be 5 years, and (2) real property is considered to be 30 years. Purchases of general property and equipment of \$50,000 or less are expensed in the period of acquisition.

I. Heritage Assets

Heritage assets are assets possessing significant cultural, architectural, or aesthetic characteristics. The Commission considers its cemeteries, and federal memorials, monuments, and markers acquired through purchase or donation to be non-collection heritage assets. Heritage assets acquired through purchase or donation are accounted for in the Commission's property records, and are not presented in the balance sheet. Withdrawals of heritage assets are recorded

upon formal agreement with recipients. Additional disclosure on individual heritage asset cemeteries and memorials are found in the Schedules of Heritage Assets presented as unaudited other information. Cemetery land is owned by the foreign countries in which cemeteries are located and is provided to the United States in perpetuity.

J. Employee Benefits

The Commission's civilian U.S. nationals hired after December 31, 1983 are covered by the Federal Employees' Retirement System (FERS), which was implemented on January 1, 1984. The Commission's civilian U.S. nationals hired on or before December 31, 1983, could elect to transfer to FERS or remain with the Civil Service Retirement System (CSRS). For FERS employees, the Commission withholds .80 percent of base pay and as employer contributes 13.7 percent of base pay to this retirement system. For Federal Insurance Contribution Act (FICA) tax and Medicare, the Commission withholds 6.2 percent from FERS employees' earnings. In addition, the Commission contributes 7.65 percent and remits the total amount to the Social Security Administration. The Commission withholds 7.00 percent of base pay plus 1.45 percent for Medicare from CSRS employees' earnings and as employer contributes 7.00 percent of base pay plus 1.45 percent for Medicare. These deductions are then remitted to the Office of Personnel Management (OPM) and the Social Security Administration. OPM is responsible for government wide reporting of FERS and CSRS assets, accumulated plan benefits, and unfunded liabilities.

On April 1, 1987, the federal government instituted the Thrift Saving Plan (TSP), a retirement savings and investment plan for employees covered by FERS and CSRS. The Commission contributes a minimum of 1 percent of FERS employees' base pay to TSP. For 2018, FERS employees could contribute up to \$18,500 (\$24,500 if at least age 50) on a tax-deferred basis to TSP, which the Commission matches up to 4 percent of base pay. For 2018, CSRS employees may also contribute up to \$18,500 (\$24,500 if at least age 50) on a tax-deferred basis; however, they receive no matching contribution from the Commission. Retirement and other benefits for the Commission's foreign national employees are paid by the Commission in accordance with the provisions of 10 host nation agreements negotiated by the U.S. Department of State.

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

K. Program Costs

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

L. Use of Estimates

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

M. Reclassification

Certain amounts presented in the prior year have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net position or budgetary resources.

Note 2. Fund Balance with Treasury

All undisbursed accounts balances with the U.S. Treasury, as reflected in the Commission’s records, as of September 30, 2018 and 2017 are available and were as follows:

Fund Balance	2018	2017
General Fund	\$ 86,417,367	\$ 89,441,280
Foreign Currency Fluctuation Fund	19,321,663	23,641,613
Trust Fund (Note 15)	3,858,554	4,951,568
Total Fund Balance with Treasury	\$ 109,597,584	\$ 118,034,461
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	\$ 58,995,288	\$ 77,627,219
Obligated Balance Not Yet Disbursed	50,616,132	40,436,773
Non-Budgetary	(13,836)	(29,531)
Total Status of Fund Balance with Treasury	\$ 109,597,584	\$ 118,034,461

Note 3. Cash and other Monetary Assets

Outside the United States, the Commission makes payments in U.S. and foreign currencies through imprest cash funds and Treasury-designated depository commercial bank accounts, which as of September 30, 2018 and 2017 were as follows:

	2018	2017
Imprest Cash Funds	\$ 928	\$ 928
Foreign Bank Accounts	12,908	28,603
	<u>\$ 13,836</u>	<u>\$ 29,531</u>

Note 4. Contribution Receivable

The Commission has a pledge from a living trust valued at \$110,637 as of September 30, 2018. However, due to the uncertainty of time and amount when the pledge is collected, the contribution will be recognized when received. In comparison, the pledge as of September 30, 2017 was valued at \$122,628.

Note 5. General Property and Equipment

Non-capitalized assets, such as general property and equipment acquisitions with an aggregate cost basis of \$50,000 or less and all acquisitions of heritage assets, totaling \$1,378,753 were expensed by the Commission as of September 30, 2018. In comparison, \$2,233,919 was expensed as of September 30, 2017.

Since the 1960s, the Commission's Office of Overseas Operations had occupied a residential structure owned by the U.S. Department of State near Paris, France. The Commission was responsible for all utilities, maintenance, and repairs. In FY 18, the Commission moved to leased office space in downtown Paris, France. Leasehold improvements that were underway on the new office space were reported as construction in progress in 2017.

General property and equipment as of September 30, 2018 and 2017 is as follows:

Category	2018			2017		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Buildings, Improvements, and Renovations	\$ 923,460	\$ 440,980	\$ 482,480	\$ 923,460	\$ 410,198	\$ 513,262
Equipment	4,160,379	3,965,260	195,119	4,577,558	4,215,023	362,535
Info. Tech. Software	-	-	-	384,951	384,951	-
Leasehold Improvements	1,876,939	217,330	1,659,609	-	-	-
Construction in Progress	-	-	-	1,876,939	-	1,876,939
	<u>\$ 6,960,778</u>	<u>\$ 4,623,570</u>	<u>\$ 2,337,208</u>	<u>\$ 7,762,908</u>	<u>\$ 5,010,172</u>	<u>\$ 2,752,736</u>

Note 6. Heritage Assets

Heritage assets are significant to the mission of the Commission to design, construct, and maintain historical cemeteries and memorials. The Commission presents its heritage assets in three categories: cemeteries, federal memorials, and nonfederal memorials. Changes in heritage assets for fiscal year 2018 were as follows:

	Cemeteries	Federal Memorials	Non-Federal Memorials
Beginning of Year 10-1-17	26	29	8
Number Acquired, Fiscal Year 2018	-	-	-
Number Withdrawn, Fiscal Year 2018	-	-	-
As of 9-30-18	26	29	8

Note 7. Other Liabilities

Other liabilities as of September 30, 2018 and 2017 were as follows:

Intragovernmental Liabilities:	2018	2017
Accrued Salaries and Benefits	\$ 168,931	\$ 113,891
	<u>\$ 168,931</u>	<u>\$ 113,891</u>
Public Liabilities:	2018	2017
Accrued Salaries and Benefits	\$ 1,090,648	\$ 975,917
Unfunded Separation Pay Liability	397,541	684,416
Unfunded Deferred Rent Liability	3,262,977	1,586,847
Unfunded Annual Leave	1,495,021	1,878,939
	<u>\$ 6,246,187</u>	<u>\$ 5,126,119</u>

These liabilities are all classified as current.

Under a host nation agreement, the Commission's Italian employees earn separation pay for each year of service with the Commission. The Commission recognized an unfunded liability for separation pay for these employees of \$397,541 as of September 30, 2018, and \$684,416 as of September 30, 2017.

Note 8. Lease Agreements

The Commission has no capital leases. The Commission's Arlington, Virginia, Headquarters Office is rented under a 10-year operating lease expiring in July 2027. In November 2017, the Commission's Overseas Office moved to a leased office space in downtown Paris, France under a 9-year operating lease expiring in September 2025. Future minimum payments due on these operating leases as of September 30, 2018, are as follows:

Fiscal Year	
2019	\$ 2,736,085
2020	2,906,473
2021	2,914,916
2022	2,923,613
2023	2,932,571
After 5 Years	<u>7,734,189</u>
Total	<u>\$ 22,147,847</u>

The Commission's Rome Office moved from commercial leased space to the United States Embassy in Rome. Lease payments for the Rome office space, and for 17 living quarters leases for the benefit of the Commission's Office of Overseas Operations, are made through the International Cooperative Administrative Support Services (ICASS) program with the U.S. State Department. These leases are on a month-to-month basis and the Commission has no obligation for future payments associated with these leases.

As of September 30, 2018, rent expenses for all operating leases amounted to \$2,607,021. For September 30, 2017, rent expense for all operating leases was \$569,222.

Note 9. Reconciliation of Net Cost of Operations to Budget

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

Reconciliation of Net Cost of Operations (Proprietary) to Budget		
For the Years Ended September 30, 2018 and 2017		
	2018	2017
Resources Used to Finance Activities		
New obligations and upward adjustments	\$ 99,955,087	\$ 79,622,860
Budgetary Resources from Offsetting Collections		
Spending Authority from Offsetting Collections	(23,452)	(19,325)
Recoveries of Prior Year Unpaid Obligations	(2,198,968)	(2,035,123)
Other Financing Resources		
Imputed Financing Sources	564,825	889,311
Total Resources Used to Finance Activity	<u>\$ 98,297,492</u>	<u>\$ 78,457,723</u>
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	(8,780,351)	6,258,476
Current Year Capitalized Purchases	(18,711)	15,899
Components of Net Cost which do not Generate or Use Resources in the Reporting Period		
Revenues without Current Year Budgetary Effect		
Change in NonFederal Receivables	(86,627)	-
Resources/Adjustments that do not Affect Net Cost of Operations	(14,861)	(2,132,947)
Other Financing Sources Not in the Budget	(564,825)	(889,311)
Costs without Current Year Budgetary Effect		
Accrued Annual Leave-Future Funded Expense	(670,793)	504,565
Depreciation and Amortization	442,165	263,727
Disposition of Assets	(7,926)	(8,892)
Deferred Rent	1,676,130	1,586,847
Imputed Costs	564,825	889,311
Net Cost of Operations	<u>\$ 90,836,518</u>	<u>\$ 84,945,398</u>

Note 10. Fiduciary Activities and Net Assets

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

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

The Scottish Widows Defined Benefit Scheme was established by a Trust Deed, which authorized the Commission to collect contributions on behalf of beneficiaries, foreign service national employees of the Commission's two cemeteries in England. Fiduciary assets as of September 30, 2018 and 2017 were as follows:

Schedule of Fiduciary Activity

	2018	2017
Investment earnings	\$ 126,028	\$ 241,303
Increases in fiduciary fund balances	126,028	241,303
Fiduciary net assets, beginning of year	2,848,882	2,607,579
Fiduciary net assets, end of year	<u>\$ 2,974,910</u>	<u>\$ 2,848,882</u>

Fiduciary Net Assets

	2018	2017
Fiduciary Assets		
Investments	\$ 2,974,910	\$ 2,848,882
Total Fiduciary Assets	<u>\$ 2,974,910</u>	<u>\$ 2,848,882</u>

Note 11. Commitments and Contingencies

As of September 30, 2018 the Commission had commitments of \$39.9 million from undelivered orders as a result of open contracts and purchase orders. In comparison, the Commission had commitments of \$31.1 million from undelivered orders as a result of open contracts and purchase orders as of September 30, 2017.

Note 12. Imputed Financing

The Commission imputes financing for retirement and other benefits paid by OPM, office space rental costs incurred by the U.S. Department of State, and a heritage asset musical carillon generally donated each fiscal year. The Commission recognized these expenses and related imputed financing in its financial statements. The Commission did not receive a donation from AMVETS for a musical carillon in fiscal year 2018 or 2017.

A portion of pension and other retirement benefits (ORB) expense is funded by an imputed financing source to recognize the amount of pension and ORB unfunded liabilities assumed by OPM. These costs are computed in accordance with cost factors provided by OPM. As of September 30, 2018, the Commission incurred \$1,938,673 of pension and ORB costs, \$490,408 of which was imputed. For September 30, 2017, the Commission incurred \$1,004,491 of pension and ORB costs, \$320,860 of which was imputed. Total imputed costs of \$564,825 includes office space rental costs incurred by the U.S. Department of State as of September 30, 2018. There are no imputed office space rental costs incurred by the U.S. Department of State after November 2017. For fiscal year 2017, total imputed costs of \$889,312 included office rental costs incurred by the U.S. Department of State.

Note 13. New Obligations and Upward Adjustments

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

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

Statement of Federal Financial Accounting Standards No. 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting", calls for explanations of material differences between amounts reported in the Statement of Budgetary Resources and the actual balances published in the Budget of the United States Government (President's Budget). Information from the President's Budget and the Combined Statement of Budgetary Resources for the period ended September 30, 2017 is shown in the following tables. A reconciliation is not presented for the period ended September 30, 2018, since the President's Budget for this period has not been issued by Congress.

(Dollars in millions)	President's Budget FY 2017 actual as of 9/30/17	Statement of Budgetary Resources FY 2017 as of 9/30/17
Budgetary resources	\$157	\$157
Total obligations incurred	\$80	\$80
Total outlays	\$83	\$83

Note 15. Funds from Dedicated Collections

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

Funds from dedicated collections balances as of September 30, 2018, were as follows:

	WWII Memorial Fund	Other	Total
Assets:			
Fund Balance with Treasury	\$ 2,842,258	\$ 1,016,296	\$ 3,858,554
Total Assets	<u>\$ 2,842,258</u>	<u>\$ 1,016,296</u>	<u>\$ 3,858,554</u>
Liabilities:			
Accounts Payable	\$ 44,035	\$ 169,587	\$ 213,622
Total Liabilities	<u>\$ 44,035</u>	<u>\$ 169,587</u>	<u>\$ 213,622</u>
Net Position:			
Cumulative Results of Operations	\$ 2,798,223	\$ 846,709	\$ 3,644,932
Total net position	<u>\$ 2,798,223</u>	<u>\$ 846,709</u>	<u>\$ 3,644,932</u>
Total liabilities and net position	<u>\$ 2,842,258</u>	<u>\$ 1,016,296</u>	<u>\$ 3,858,554</u>
Cumulative Results of Operations:			
Beginning balances	\$ 3,590,416	\$ 1,147,558	\$ 4,737,974
Total Financing Sources (Non-Exchange)	14,121	87,086	101,207
Net cost of operations	806,314	387,935	1,194,249
Cumulative Results of Operations:	<u>\$ 2,798,223</u>	<u>\$ 846,709</u>	<u>\$ 3,644,932</u>
Unexpended Appropriations:			
Beginning balance	-	-	-
Total Budgetary Financing Resources	-	-	-
Total Unexpended Appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 2,798,223</u>	<u>\$ 846,709</u>	<u>\$ 3,644,932</u>

Funds from dedicated collections balances as of September 30, 2017, were as follows:

	WWII Memorial Fund	Other	Total
Assets:			
Fund Balance with Treasury	\$ 3,692,166	\$ 1,259,402	\$ 4,951,568
Total Assets	\$ 3,692,166	\$ 1,259,402	\$ 4,951,568
Liabilities:			
Accounts Payable	\$ 101,750	\$ 111,844	\$ 213,594
Total Liabilities	\$ 101,750	\$ 111,844	\$ 213,594
Net Position:			
Cumulative Results of Operations	\$ 3,590,416	\$ 1,147,558	\$ 4,737,974
Total net position	\$ 3,590,416	\$ 1,147,558	\$ 4,737,974
Total liabilities and net position	\$ 3,692,166	\$ 1,259,402	\$ 4,951,568
Cumulative Results of Operations:			
Beginning balances	\$ 4,171,661	\$ 1,067,690	\$ 5,239,351
Total Financing Sources (Non-Exchange)	28,197	371,344	399,541
Net cost of operations	609,442	291,476	900,918
Cumulative Results of Operations:	\$ 3,590,416	\$ 1,147,558	\$ 4,737,974
Unexpended Appropriations:			
Beginning balance	-	-	-
Total Budgetary Financing Resources	-	-	-
Total Unexpended Appropriations	-	-	-
Net Position	\$ 3,590,416	\$ 1,147,558	\$ 4,737,974

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

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

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

Note 16. Liabilities not covered by Budgetary Resources

A. Intragovernmental and Public Liabilities

Liabilities not covered by Budgetary Resources as of September 30, 2018 and 2017:

	2018	2017
Intragovernmental:		
Accounts Payable	\$ 708,591	\$ 226,904
Other	168,931	113,891
Total Intragovernmental	<u>877,522</u>	<u>340,795</u>
Public:		
Accounts payable	8,739,899	8,007,681
Other Unfunded Employment Related Liability	397,541	684,416
Unfunded Leave	1,495,021	1,878,939
Unfunded Deferred Rent	3,262,977	1,586,847
Other	1,090,648	975,917
Total Liabilities	<u>15,863,608</u>	<u>13,474,595</u>
Total liabilities not covered by budgetary resources	5,155,538	4,150,202
Total liabilities covered by budgetary resources	<u>10,708,070</u>	<u>9,324,393</u>
Total liabilities	<u>\$ 15,863,608</u>	<u>\$ 13,474,595</u>

B. Other Information

Liabilities not covered by Budgetary Resources:

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

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

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

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

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



Required Supplementary Information

As of September 30, 2018
(Unaudited)

Maintenance, Repairs, and Improvements

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

Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and that, therefore, is put off or delayed for a future period. Maintenance and repairs performed on real property consisting of land improvements, buildings, and memorials totaled \$4.6 million in fiscal year 2018 and \$3.0 million in fiscal year 2017. For fiscal years 1998 through 2002, the Commission received \$11.3 million of additional appropriations from the Congress that enabled it to entirely eliminate its deferred maintenance backlog as of September 30, 2002. No deferred maintenance backlog existed as of September 30, 2018, and 2017.

In addition to condition assessment surveys, the Commission uses a Project Prioritization Methodology with a “plot area out” focus to identify current and future maintenance and repair projects at cemeteries and memorials in order to maintain real property in an acceptable condition. These surveys are reviewed and updated at least annually by the Commission’s engineering staff. In addition, engineering projects identified improvements in cemetery irrigation, drainage, roads, parking areas, and buildings. As of September 30, 2018, the Commission has identified 30 maintenance, repair, and improvement projects, with an estimated cost of \$3.5 million, scheduled to be performed in fiscal year 2019, subject to available funding.



Statement of Heritage Assets

26 Cemeteries

As of September 30, 2018

(Unaudited)

Name	Location	Interred	Memorialized	Acres	War
Aisne-Marne American Cemetery	Belleau (Aisne), France	2,289	1,060	42.5	WW I
Ardennes American Cemetery	Neupre, Belgium	5,247	463	90.5	WW II
Brittany American Cemetery	St. James (Manche), France	4,405	500	27.9	WW II
Brookwood American Cemetery	Brookwood, United Kingdom	468	564	4.5	WW I
Cambridge American Cemetery	Cambridge, United Kingdom	3,811	5,127	30.5	WW II
Clark Veterans Cemetery	Angeles City, Philippines	8,877	0	17.3	***
Corozal American Cemetery	Panama City, Panama	5,528	0	16	*
Epinal American Cemetery	Epinal (Vosges), France	5,251	424	48.6	WW II
Flanders Field American Cemetery	Waregem, Belgium	368	43	6.2	WW I
Florence American Cemetery	Florence, Italy	4,393	1,409	70	WW II
Henri-Chapelle American Cemetery	Henri-Chapelle, Belgium	7,987	450	57	WW II
Lafayette Escadrille Memorial Cemetery	Marnes-la-Coquette, France	51	3	11.1	****WW I
Lorraine American Cemetery	St. Avold (Moselle), France	10,482	444	113.5	WW II
Luxembourg American Cemetery	Luxembourg City, Luxembourg	5,073	371	50.5	WW II
Manila American Cemetery	Luzon, Philippines	17,058	36,286	152	WW II
Meuse-Argonne American Cemetery	Romagne (Meuse), France	14,246	954	130.5	WW I
Mexico City National Cemetery	Mexico City, Mexico	1,563	0	1	**
Netherlands American Cemetery	Margraten, The Netherlands	8,291	1,722	65.5	WW II
Normandy American Cemetery	Colleville-sur-Mer, France	9,381	1,557	172.5	*****WW II
North Africa American Cemetery	Carthage, Tunisia	2,841	3,724	27	WW II
Oise-Aisne American Cemetery	Fere-en-Tardenois, France	6,012	241	36.5	WW I
Rhone American Cemetery	Draguignan, Var, France	858	294	12.5	WW II
St. Mihiel American Cemetery	Thiaucourt, Meurthe, France	4,153	284	40.5	WW I
Sicily-Rome American Cemetery	Nettuno, Italy	7,858	3,095	77	WW II
Somme American Cemetery	Bony (Aisne), France	1,844	333	14.3	WW I
Suresnes American Cemetery	Suresnes, France	1,564	974	7.5	WW I/II
Subtotal for Cemeteries		139,899	60,322	1,322.9	

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

** Acquired by Executive Order from the War Department.

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

**** Acquired from the Lafayette Escadrille Memorial Foundation as authorized by Public Law 114-227.

***** 1 individual from WWI interred at Normandy American Cemetery



Statement of Heritage Assets

29 Federal Memorials, Monuments, and Markers

As of September 30, 2018
(Unaudited)

Name	Location	Interred	Memorialized	Acres	War
East Coast Memorial	New York City, NY		4,611	0.8	WW II
Honolulu Memorial	Honolulu, HI		28,808	1.0	WW II/Korean/ Vietnam
West Coast Memorial	San Francisco, CA		413	1.3	WW II
Audenarde Monument	Audenarde, Belgium			0.4	WW I
Bellicourt Monument	St. Quentin, France			1.8	WW I
Brest Naval Monument	Brest, France			1.0	WW I
Cabanatuan Memorial	Luzon, Philipines				WW II
Cantigny Monument	Cantigny, France			0.4	WW I
Chateau-Thierry Monument	Chateau-Thierry, France			58.9	WW I
Chaumont Marker	Chaumont, France				WW I
Dartmouth Monument	Dartmouth, United Kingdom				WW II
Gibraltar Naval Monument	Gibraltar			0.1	WW I
Guadalcanal Memorial	Guadalcanal			0.5	WW II
Kemmel Monument	Ypres, Belgium			0.2	WW I
Korean War Monument	Busan, Korea				Korean
Marine Monument Belleau Wood	Aisne, France			199.6	WW I
Midway Monument	Midway Island				WW II
Montfaucon Monument	Montfaucon, France			9.6	WW I
Montsec Monument	Thiaucourt, France			47.5	WW I
Papua Marker	Port Moresby, New Guinea				WW II
Pointe du Hoc Ranger Monument	St. Laurent-sur-Mer, France			29.8	WW II
Saipan Monument	Saipan, Northern Mariana Islands				WW II
Santiago Surrender Tree	Santiago, Cuba				Sp American
Sommepey Monument	Sommepey, France			15.0	WW I
Souilly Marker	Souilly, France				WW I
Tours Monument	Tours, France			0.5	WW I
Utah Beach Monument	Sainte Marie-du-Mont, France			0.5	WW II
Western Naval Task Force Marker	Casablanca, Morocco				WW II
XI Amphibious Force Marker	Dartmouth, United Kingdom				WW II
Subtotal for Memorials		0	33,832	368.9	
Subtotal for Cemeteries		139,899	60,322	1,322.9	
Grand Total		139,899	94,154	1,691.8	



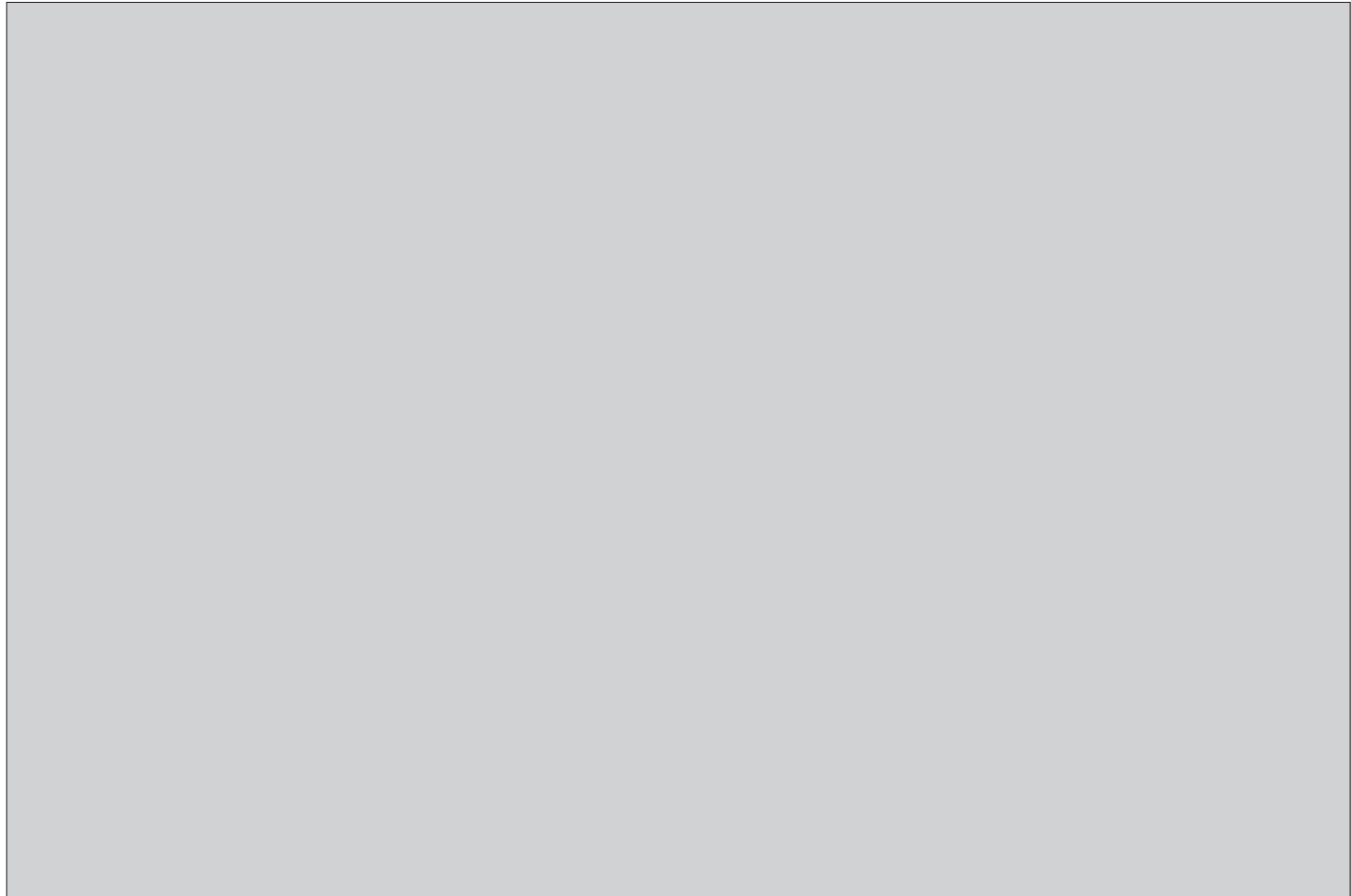
Statement of Heritage Assets

8 Nonfederal Memorials

As of September 30, 2018

(Unaudited)

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



Members of the official party stand during the ceremony at Aisne-Marne American Cemetery to mark the 100th anniversary of the Battle of Belleau Wood and Operations in the Aisne-Marne region.



AMERICAN BATTLE MONUMENTS COMMISSION

“Time will not dim the glory of their deeds.”

GENERAL OF THE ARMIES JOHN J. PERSHING

*American Battle Monuments Commission
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