

**UNITED STATES COURT OF APPEALS  
FOR VETERANS CLAIMS**

**PERFORMANCE AND ACCOUNTABILITY REPORT,  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2021 AND 2020**



**Prepared By  
Brown & Company CPAs and Management Consultants, PLLC  
November 15, 2021**



**UNITED STATES COURT OF APPEALS  
FOR VETERANS CLAIMS  
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INDEPENDENT AUDITOR’S REPORT  
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FINANCIAL STATEMENTS  
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SEPTEMBER 30, 2021 AND 2020**

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# Management's Discussion and Analysis for FY 2021





UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS  
625 Indiana Avenue, NW, Suite 900  
Washington, DC 20004-2950

## Management's Discussion and Analysis for FY 2021

### **Introduction**

Management's Discussion and Analysis (MD&A) is an integral part of the Court's annual financial statements that provides an overview, from management's perspective, of the Court's structure, functions, past performance, current financial condition, and a general outlook for the near future. The MD&A supplements the financial data so as to provide a more in-depth picture of the use and application of the Court's appropriated funds.

### **Mission and Organization Structure**

The U. S. Court of Appeals for Veterans Claims (Court) is an appellate court of record established under Article I of the U.S. Constitution by the Veterans' Judicial Review Act, Pub. L. No.100-687, Division A (1988). The Act, as amended, is codified in part at 38 U.S.C. §§ 7251-7299. The Court has jurisdiction to, inter alia, (1) review decisions of the Board of Veterans' Appeals (Board) and may affirm, vacate, reverse, or remand as appropriate in such cases, (2) issue all writs necessary or appropriate in aid of its jurisdiction (28 U.S.C. § 1651), (3) set aside rules, and regulations issued or adopted by the Secretary, the Board, or the Board Chairman that are arbitrary or capricious, an abuse of discretion, or otherwise not in accordance with law, contrary to constitutional right, in excess of statutory jurisdiction or authority, or without observance of the procedures required by law, (4) review and approve applications for attorney fees and expenses under the Equal Access to Justice Act (28 U.S.C. § 2412), and (5) compel actions of the Secretary of Veterans Affairs that were unlawfully withheld or unreasonably delayed.

The Court currently has nine active judges. Of the nine, the Court has permanent authorizations for seven judges, one of whom serves as Chief Judge. Congress reauthorized two additional judgeships on a temporary basis per Pub. L. 114-315 which are now filled. The judges are appointed by the President, "by and with the Advice and Consent of the Senate," for fifteen-year terms. Each judge has a staff of four law clerks and one administrative assistant. The Chief Judge has additional support staff because of his administrative duties. Court support staff includes (1) a Clerk of the Court to manage Court support operations under the supervision of the Chief Judge, (2) a Public Office that manages the Court's docket through the Case Management/Electronic Case Filing (CM/ECF) program, (3) a Central Legal Staff responsible for facilitating case resolution through a conferencing process in all represented cases and screening cases as needed, (4) an Information Technology Office that manages all IT networks and resources, provides direct support to personnel, and hosts the Court's CM/ECF program, (5) an Administrative Office that provides personnel, procurement, and facilities management functions, (6) a Budget and Finance Office responsible for financial management, and (7) a General Counsel office.

The Court is a national court authorized to sit anywhere in the United States, but its principal office is located in Washington, DC.

### **Procedures**

The Court's Rules of Practice and Procedure, last revised effective September 20, 2021, govern its procedures and are available on the Court's website. As an appellate Court, the Court does not hold trials, hear witness testimony, or receive new evidence. In deciding a case, it considers the Board decision, the record before the Board, and the briefs submitted by the parties. If the issues warrant, the Court holds oral argument. Most arguments are held in Washington, D.C., but on occasion the Court sits in other locations.

### **Opinions**

The Court's precedential opinions are published in West's Veterans Appeals Reporter. They are available in WESTLAW, LEXIS, and--without digest--on the Court's website under Orders and Opinions. They are also sent to the Government Printing Office for distribution to its nationwide depository library system.

### **Performance Goals, Objectives and Results**

The Court's goal is to provide timely judicial review of cases that have been appealed to the Court from the Department of Veterans Affairs Board of Veterans Appeals. The Court has a substantial caseload - in FY 2021, the Court received 8,294 appeals and resolved a total of 9,305 cases primarily through combination of judicial decisions and joint resolutions concluded as part of the Court's Rule 33 conferencing process. The Court also resolved a substantial number of petitions and several thousand procedural determinations and Equal Access to Justice Act (EAJA) attorney fee applications. The Court's comprehensive annual reports to Congress are available on the Court's website at [www.uscourts.cavc.gov](http://www.uscourts.cavc.gov).

### **Limitations of the Financial Statements**

Although the Court is part of the judiciary and not subject to 31 U.S.C. § 3515 (b) (requiring executive agencies to file annual financial reports), the Court, as an independent Article I Court, is also not part of the annual financial reporting prepared by the Administrative Office of the Courts. Recognizing, however, that routine review of the Court's operations and use of appropriated funds is a sound financial practice, the Court voluntarily complies with the substantive requirements of section 3515 (b). The Court's principal financial statements have been prepared by the Administrative Resource Center at the U.S. Department of the Treasury Bureau of Fiscal Services. The statements have been prepared from the Court's books and records in accordance with Generally Accepted Accounting Principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget (OMB) in the OMB Circular A-136.

### **Analysis of Financial Statements**

The Court's annual appropriated funds are used for salaries; benefits; services; facilities rent, improvements, and maintenance; information technology (IT) service and support; intergovernmental support services; and an annual contribution to the Judges' Retirement Trust Fund. Also, the Court receives pass-through funding to the Legal Services Corporation (LSC) to administer a Congressionally mandated grant that provides counsel to appellants who otherwise are self-represented.

### **Analysis of Systems, Controls and Legal Compliance**

The Court recognizes the importance of adequate controls for its administrative functions. The Clerk of the Court and Court support staff develop, implement, evaluate, and modify, as

necessary, controls to provide reasonable assurance that there is adequate accountability of Court resources. Given the small size of the Court, the Court contracts for accounting, financial reporting, administrative payments, and some procurement services with the Bureau of Fiscal Services' Administrative Resource Center (ARC); the Court also contracts for payroll and personnel services with the Department of Agriculture's National Finance Center (NFC). Although this contracting necessitates reliance on the performance of entities outside our managerial control, it also permits an outside look into our own management of appropriated funds that augments and compliments our internal controls.

**Conclusion**

The Court is making proper and effective use and application of its appropriated funds.

November 5, 2021



Gregory O. Block  
Clerk of the Court /Executive Officer

**UNITED STATES COURT OF APPEALS  
FOR VETERANS CLAIMS**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2021 AND 2020**



**Prepared By  
Brown & Company CPAs and Management Consultants, PLLC  
November 15, 2021**





## INDEPENDENT AUDITOR'S REPORT

U.S. Court of Appeals for Veterans Claims  
Washington, D.C.

In our audits of the fiscal years 2021 and 2020 financial statements of the U.S. Court of Appeals for Veterans Claims (CAVC), we found

- CAVC's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

### Report on the Financial Statements

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited CAVC's financial statements. CAVC's financial statements comprise the balance sheet as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, budgetary resources and statement of custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Management's Responsibility

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

### Auditor's Responsibility

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

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

### Opinion on Financial Statements

In our opinion, CAVC's financial statements present fairly, in all material respects, CAVC's financial position as of September 30, 2021, and 2020, and its net cost of operations, changes in net position, budgetary resources and statement of custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### Required Supplementary Information

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

### Other Information

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

### **Report on Internal Control over Financial Reporting**

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

### Management's Responsibility

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

### Auditor's Responsibility

In planning and performing our audit of CAVC's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. generally accepted government auditing standards, we considered the CAVC'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 CAVC's internal control over financial reporting. Accordingly, we do not express an opinion on the CAVC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

### Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

### Results of Our Consideration of Internal Control over Financial Reporting

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

### Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

### Management's Responsibility

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

Auditor's Responsibility

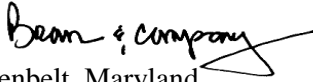
Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to CAVC that have a direct effect on the determination of material amounts and disclosures in CAVC's financial statements, and perform certain other limited procedures.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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CAVC. Accordingly, we do not express such an opinion.

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

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



Greenbelt, Maryland  
November 15, 2021

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2021 AND 2020**  
**(In Dollars)**

	2021	2020
<b>Assets:</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 8,653,371	\$ 12,227,588
Investments, Net (Note 3)	55,845,279	51,128,668
<b>Total Intragovernmental</b>	<b>64,498,650</b>	<b>63,356,256</b>
With the Public:		
Accounts Receivable, Net (Note 4)	921	850
General Property, Plant, and Equipment, Net (Note 5)	751,819	1,106,602
<b>Total With the Public</b>	<b>752,740</b>	<b>1,107,452</b>
<b>Total Assets</b>	<b>\$ 65,251,390</b>	<b>\$ 64,463,708</b>
<b>Liabilities (Note 6):</b>		
Intragovernmental:		
Accounts Payable	\$ 3,745	\$ 17,841
Other Liabilities (Note 8)	242,266	208,489
<b>Total Intragovernmental</b>	<b>246,011</b>	<b>226,330</b>
With the Public:		
Accounts Payable	124,720	201,844
Judges' Retirement Fund Benefits (Note 7)	56,929,472	53,090,673
Federal Employee [and Veteran] Benefits Payable	1,245,203	1,081,623
Other Liabilities (Note 8)	845,009	711,325
<b>Total With the Public</b>	<b>59,144,404</b>	<b>55,085,465</b>
<b>Total Liabilities</b>	<b>\$ 59,390,415</b>	<b>\$ 55,311,795</b>
<b>Net Position:</b>		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 6,831,663	\$ 9,562,084
Cumulative Results of Operations - Funds from Dedicated Collections (Note 10)	(512,929)	(461,090)
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(457,759)	50,919
<b>Total Net Position</b>	<b>5,860,975</b>	<b>9,151,913</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 65,251,390</b>	<b>\$ 64,463,708</b>

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

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS**  
**STATEMENT OF NET COST**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Dollars)

	2021	2020
<b>Gross Program Costs:</b>		
Gross Costs	\$ 38,937,912	\$ 36,102,434
Less: Earned Revenue	(898,782)	(1,012,987)
Net Program Costs	\$ 38,039,130	\$ 35,089,447
Net Cost of Operations	\$ 38,039,130	\$ 35,089,447

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

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020  
(In Dollars)**

	2021 Funds from Dedicated Collections	2021 Funds from Other than Dedicated Collections	2021 Consolidated Total	2020 Funds from Dedicated Collections	2020 Funds from Other than Dedicated Collections	2020 Consolidated Total
<b>Unexpended Appropriations:</b>						
Beginning Balances	\$ -	\$ 9,562,084	\$ 9,562,084	\$ -	\$ 11,737,852	\$ 11,737,852
Appropriations Received	-	37,100,000	37,100,000	-	35,400,000	35,400,000
Other Adjustments	-	(3,346,250)	(3,346,250)	-	(3,909,990)	(3,909,990)
Appropriations Used	-	(36,484,171)	(36,484,171)	-	(33,665,778)	(33,665,778)
Net Change in Unexpended Appropriations	-	(2,730,421)	(2,730,421)	-	(2,175,768)	(2,175,768)
<b>Total Unexpended Appropriations - Ending</b>	<b>\$ -</b>	<b>\$ 6,831,663</b>	<b>\$ 6,831,663</b>	<b>\$ -</b>	<b>\$ 9,562,084</b>	<b>\$ 9,562,084</b>
<b>Cumulative Results of Operations:</b>						
Beginning Balances	\$ (461,090)	\$ 50,919	\$ (410,171)	\$ (420,271)	\$ 593,286	\$ 173,015
Appropriations Used	-	36,484,171	36,484,171	-	33,665,778	33,665,778
Imputed Financing (Note 12)	-	994,492	994,492	-	840,483	840,483
Other	-	(50)	(50)	-	-	-
Net Cost of Operations	(51,839)	(37,987,291)	(38,039,130)	(40,819)	(35,048,628)	(35,089,447)
Net Change in Cumulative Results of Operations	(51,839)	(508,678)	(560,517)	(40,819)	(542,367)	(583,186)
<b>Cumulative Results of Operations - Ending</b>	<b>\$ (512,929)</b>	<b>\$ (457,759)</b>	<b>\$ (970,688)</b>	<b>\$ (461,090)</b>	<b>\$ 50,919</b>	<b>\$ (410,171)</b>
<b>Net Position</b>	<b>\$ (512,929)</b>	<b>\$ 6,373,904</b>	<b>\$ 5,860,975</b>	<b>\$ (461,090)</b>	<b>\$ 9,613,003</b>	<b>\$ 9,151,913</b>

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



**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS**  
**STATEMENT OF BUDGETARY RESOURCES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Dollars)

	2021	2020
<b>Budgetary Resources:</b>		
Unobligated balance from prior year budget authority, net (Note 15)	\$ 56,286,626	\$ 56,862,102
Appropriations	43,806,264	40,687,500
<b>Total Budgetary Resources</b>	<b>\$ 100,092,890</b>	<b>\$ 97,549,602</b>
<b>Status of Budgetary Resources:</b>		
New obligations and upward adjustments (total)	\$ 40,055,474	\$ 38,213,506
Unobligated balance, end of year:		
Exempt from apportionment, unexpired accounts	55,787,003	51,976,084
Expired unobligated balance, end of year	4,250,413	7,360,012
Unobligated balance, end of year (total)	60,037,416	59,336,096
<b>Total Budgetary Resources</b>	<b>\$ 100,092,890</b>	<b>\$ 97,549,602</b>
<b>Outlays, Net:</b>		
Outlays, net (total)	39,293,088	36,839,304
Distributed Offsetting Receipts	(898,782)	(1,012,987)
<b>Agency outlays, net</b>	<b>38,394,306</b>	<b>35,826,317</b>

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

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS**  
**STATEMENT OF CUSTODIAL ACTIVITY**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**  
(In Dollars)

	2021	2020
<b>Total Custodial Revenue:</b>		
Sources of Cash Collections:		
Miscellaneous	\$ 135,430	\$ 148,850
Total Cash Collections (Note 14)	\$ 135,430	\$ 148,850
Accrual Adjustments	21	(2,510)
Total Custodial Revenue	\$ 135,451	\$ 146,340
<b>Disposition of Collections:</b>		
Transferred to Others (by Recipient)	\$ 135,430	\$ 149,941
Increase/(Decrease) in Amounts Yet to be Transferred	21	(1,685)
Retained by the Reporting Entity	-	(1,916)
Total Disposition of Collections	\$ 135,451	\$ 146,340
Net Custodial Activity	\$ -	\$ -

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



## **UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS NOTES TO THE FINANCIAL STATEMENTS**

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The United States Court of Appeals for Veterans Claims (CAVC) is a national court of record established by the Veterans Judicial Review Act, Pub. L. No.100-687, Division A (1988) (Act). The Act, as amended, is codified in part at 38 U.S.C. §§ 7251-7299. CAVC is located in Washington, D.C., but as a national court may sit anywhere in the United States.

CAVC is part of the federal judicial system and has a permanent authorization for seven judges, one of whom serves as chief judge. Congress reauthorized two additional judgeships on a temporary basis per Pub. L. 114-315. Judges are appointed by the President, by and with the advice and consent of the Senate, for 15-year terms. CAVC currently has nine active judges and no judgeship vacancy. Upon retirement, a judge may choose to be recall-eligible, and thus willing to be recalled to service by the Chief Judge. Currently, ten of CAVC's twelve retired judges are recall eligible, and are recalled to service on a rotational basis. Recall-eligible retired judges may elect full retirement at any time.

For management, administration, and expenditure of funds in areas beyond the bounds of Chapter 72 of Title 38, CAVC may exercise the authorities provided for such purposes applicable to other courts as defined in Title 28, U.S. Code. The CAVC reporting entity is comprised of Trust Funds, Special Funds, General Funds, and General Miscellaneous Receipts.

Trust Funds are credited with receipts that are generated by terms of a trust agreement or statute. At the point of collection, our receipts are unavailable until appropriated by the U.S. Congress. The Trust Fund included in our financial statements is the United States Court of Appeals for Veterans Claims Retirement Fund. The funding policy for this Judicial Retirement Trust Fund requires participating judges to contribute 1% of salary until retirement. In addition, for those who participate in the optional survivors' benefits program, a 2.2% of active pay and retirement pay contribution is required. CAVC is required to make annual contributions at an actuarially determined rate. CAVC currently pays annuity to one survivor annuitant.

Special Funds are accounts established for receipts earmarked by law for a special purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. Our financial statements include Practice and Registration Fees, which are Special Fund receipts. This fund contains the fees collected from persons admitted to practice before CAVC and people who register for CAVC's judicial conferences. These fees are used to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings. See 38 U.S.C. §§ 7285 and 7283.

General Funds are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees, and other miscellaneous receipts for services and benefits.

CAVC has rights and ownership of all assets reported in these financial statements. CAVC does not possess any non-entity assets.

## **B. Basis of Presentation**

The financial statements have been prepared to report the financial position and results of operations of CAVC. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government. The Statement of Custodial Activity presents revenue collections on behalf of other entities and the disposition of collections.

The statements are a requirement of the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. They have been prepared from, and are fully supported by, the books and records of CAVC in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and CAVC accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control CAVC's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

## **C. Basis of Accounting**

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of federal funds.

## **D. Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of CAVC's funds with Treasury in expenditure and receipt fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

## **E. Investment in U.S. Government Securities**

CAVC has the authority to invest in U.S. Government securities. The securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. It is expected that investments will be held until maturity; therefore, they are classified as investment securities held

to maturity and are carried at historical cost, adjusted for amortization of premiums and discounts. The amortization of premiums and discounts are recognized as adjustments to interest income using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest on investments is accrued as it is earned.

All of CAVC’s investments are intragovernmental non-marketable par value federal debt securities issued by, and purchased through, Treasury’s Bureau of the Fiscal Service. The investments are always held to maturity. See Note 3 for additional information.

**F. Accounts Receivable**

Accounts receivable consists of amounts owed to CAVC by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor’s ability to pay.

**G. Property, Equipment, and Software**

Property, equipment, and software represent furniture, fixtures, equipment, and information technology hardware and software which are recorded at original acquisition cost and are depreciated or amortized using the straight-line method over their estimated useful lives. Major alterations and renovations are capitalized, while maintenance and repair costs are expensed as incurred.

CAVC’s capitalization threshold is \$25,000 for individual purchases and \$500,000 for bulk purchases. Property, equipment, and software acquisitions that do not meet the capitalization criteria are expensed upon receipt. Applicable standard governmental guidelines regulate the disposal and convertibility of agency property, equipment, and software. The useful life classifications for capitalized assets are as follows:

<u>Description</u>	<u>Useful Life (years)</u>
Leasehold Improvements	Period of Lease
Office Furniture	5
Computer Equipment	3
Office Equipment	5
Software	3

**H. Advances and Prepaid Charges**

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

## **I. Liabilities**

Liabilities represent the amount of funds likely to be paid by CAVC as a result of transactions or events that have already occurred.

CAVC reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, actuarial Federal Employees' Compensation Act (FECA), and the amounts due to Treasury for collection and accounts receivable of civil penalties and Freedom of Information Act (FOIA) request fees.

## **J. Annual, Sick, and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 100%.

## **K. Accrued and Actuarial Workers' Compensation**

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by CAVC's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that CAVC terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

## **L. Retirement Plans**

CAVC employees, with the exception of the judges, participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). There are three versions of the FERS program. They are FERS, FERS-RAE and FERS-FRAE. Employees in the

FERS program contribute .8% of salary, employees in the FERS-RAE contribute 3.1% of salary and employees in the FERS-FRAE contribute 4.4% of salary. The employees who participate in CSRS are beneficiaries of CAVC matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 through December 31, 2012 are automatically covered by the FERS program. Employees hired as of January 1, 2013 through December 31, 2013 are automatically covered by the FERS-RAE program. Employees hired after December 31, 2013 are automatically covered by the FERS-FRAE program. All employees may participate in the federal Thrift Savings Plan (TSP). FERS, FERS-RAE and FERS-FRAE employees receive an automatic agency contribution equal to one percent of pay and CAVC matches any employee contribution up to an additional four percent of pay. For FERS, FERS-RAE and FERS-FRAE participants, CAVC also contributes the employer's matching share of Social Security.

FERS, FERS-RAE and FERS-FRAE employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, CAVC remits the employer's share of the required contribution.

CAVC recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to CAVC for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. CAVC recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

CAVC does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

#### **M. Other Post-Employment Benefits**

CAVC employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided CAVC with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. CAVC recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by CAVC through the recognition of an imputed financing source.

#### **N. Use of Estimates**

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

## O. Reclassification

Certain fiscal year 2020 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

## P. Classified Activities

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

## NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2021 and 2020, were as follows:

	2021	2020
<b>Status of Fund Balance with Treasury:</b>		
Unobligated Balance		
Available	\$ 572,916	\$ 1,503,139
Unavailable	4,250,412	7,360,012
Obligated Balance Not Yet Disbursed	3,830,043	3,364,437
<b>Total</b>	<b>\$ 8,653,371</b>	<b>\$ 12,227,588</b>

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

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand (see also Note 13).

## NOTE 3. INVESTMENTS

Investments as of September 30, 2021 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental						
Marketable	\$ 55,536,025	Level-Yield	\$ 171,232	\$ 138,021	\$ 55,845,279	\$ 56,318,797
<b>Total</b>	<b>\$ 55,536,025</b>		<b>\$ 171,232</b>	<b>\$ 138,021</b>	<b>\$ 55,845,279</b>	<b>\$ 56,318,797</b>



Investments as of September 30, 2020 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental						
Marketable	\$ 50,920,810	Level-Yield	\$ 47,840	\$ 160,018	\$ 51,128,668	\$ 52,308,228
<b>Total</b>	<b>\$ 50,920,810</b>		<b>\$ 47,840</b>	<b>\$ 160,018</b>	<b>\$ 51,128,668</b>	<b>\$ 52,308,228</b>

Premiums and discounts are amortized and interest is accrued using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Non-marketable, market-based securities are Treasury notes and bonds issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investment maturity dates for fiscal years 2021 and 2020 range from December 31, 2021 to September 30, 2025 and October 31, 2020 to July 15, 2023, respectively, and interest rates for the same fiscal years range from .125 percent to 7.25 percent and .125 percent to 7.25 percent, respectively.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for a fund from dedicated collections are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to CAVC as evidence of its receipts. Treasury securities are an asset to CAVC and a liability to the U.S. Treasury.

#### NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2021 and 2020, were as follows:

	2021	2020
With the Public		
Accounts Receivable	\$ 921	\$ 850
<b>Total Accounts Receivable</b>	<b>\$ 921</b>	<b>\$ 850</b>

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2021 and 2020.

#### NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2021:

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Leasehold Improvements	\$ 1,810,469	\$ 1,395,577	\$ 414,892
Furniture & Equipment	3,210,349	2,873,422	336,927
Software	177,466	177,466	-
<b>Total</b>	<b>\$ 5,198,284</b>	<b>\$ 4,446,465</b>	<b>\$ 751,819</b>

Schedule of Property, Equipment, and Software as of September 30, 2020:

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Leasehold Improvements	\$ 1,747,141	\$ 1,260,600	\$ 486,541
Furniture & Equipment	3,210,349	2,590,288	620,061
Software	177,466	177,466	-
<b>Total</b>	<b>\$ 5,134,956</b>	<b>\$ 4,028,354</b>	<b>\$ 1,106,602</b>

**NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES**

The liabilities for CAVC as of September 30, 2021 and 2020, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2021	2020
Intragovernmental – FECA	\$ 204	\$ 204
Intragovernmental – Unemployment Insurance	-	3,504
Unfunded Leave	1,210,055	1,051,758
Actuarial FECA	-	899
Actuarial Pension Liability	925,243	477,393
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>\$ 2,135,502</b>	<b>\$ 1,533,758</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>57,254,671</b>	<b>53,777,866</b>
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>242</b>	<b>171</b>
<b>Total Liabilities</b>	<b>\$ 59,390,415</b>	<b>\$ 55,311,795</b>

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual unemployment benefits paid on CAVC’s behalf and payable to the DOL. CAVC also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

**NOTE 7. PENSION LIABILITY AND EXPENSE**

CAVC’s Judicial Retirement Fund (The Fund) was established by public law 38 U.S.C. 7296-7298 in August 1989 to provide a retirement benefit to all judges of CAVC who (1) retire on an optional basis after meeting minimum age and service requirements, (2) are not reappointed, or (3) retire as a result of disability.

*Pension Benefits.* A judge of CAVC, who is not reappointed, is eligible to retire if he has served 15 years or less under the rule of 80. The benefit, payable for life, is equal to the salary of the judge just prior to the retirement. This amount increases each year by the amount an active judge’s pay

is increased if the retired judge has elected to be recall-eligible. Otherwise, the benefit does not increase. If a recall-eligible judge later declines to perform recall service, the benefit is frozen at that point.

*Disability Benefits.* A judge who is permanently disabled at any time while in office may retire on disability. The amount of benefits is as follows:

- (1) If a judge is not recall-eligible, the benefit is to commence immediately, payable for life, and is equal to the salary of the judge prior to disability if service with CAVC totals at least 10 years. The benefit is equal to one-half of the salary of the judge just before disability if contributory service totals less than 10 years subject to Cost of Living Adjustment (COLA).
- (2) If a judge is recall-eligible, the benefit is payable for life and equal to the salary of the judge just prior to disability retirement. This amount will increase each year by the amount an active judge's pay is increased if the retired judge has elected to be recall-eligible, even if later removed for further disability. If a recall-eligible judge later declines to perform recall service, the benefit is frozen at that point.

*Death Benefits.* The only benefits payable upon the death of a judge is a return of employee contributions unless the judge enrolls in the optional Survivors Benefits Program.

*Optional Survivors Benefits Program.* Participation in the survivor annuity program is elective, and those who choose to participate must contribute 2.2% of active salary and retired pay. Also, 18 months of creditable service must have been completed and contributions made for that service before benefits can be paid. For this program, creditable service may include other federal service. Upon a participant's death:

Unremarried widow(er) – receives an annuity equal to:

- (1) 1.5% of the judge's high-3 average annual salary multiplied by the sum of years of judicial service, allowable service as a Member of Congress, up to five (5) years of allowable military service, and up to fifteen (15) years of congressional employee service, plus,
- (2) 0.75% of the judge's high-3 average annual salary multiplied by all other creditable service. The annuity cannot be less than 25% nor exceed 50% of the average annual salary of the judge. Remarriage before age 55 terminates eligibility for a survivor annuity.

Once in payment, the annuity will be subject to annual COLAs in the amount as those received by annuitants of the Judicial Survivors' Annuity Program and of Social Security.

Children's benefit with widow(er) – each dependent child will receive an immediate annuity equal to the smaller of:

- (1) If no more than 2 children - 10% of the judge's high-3 average annual salary, or
- (2) If more than 2 children - 20% of the judge's high-3 average annual salary divided by the number of dependent children.

Children’s benefits without widow(er) – each dependent child will receive an immediate annuity equal to the smaller of:

- (1) If no more than 2 children - 20% of the judge’s high-3 average annual salary, or
- (1) If more than 2 children - 40% of the judge’s high-3 average annual salary divided by number of dependent children.

*Actuarial Present Value of Accumulated Plan Benefits.* Accumulated plan benefits are those future periodic payments that are attributable under the Fund’s provisions (see above) to the service judges have rendered. Accumulated plan benefits include benefits expected to be paid to (a) recall or non-recall eligible judges or beneficiaries and (b) active judges or beneficiaries. An actuary determines the actuarial present value of accumulated plan benefits annually. For details of the Accumulated Plan Benefits, Changes in Present Value of Accumulated Plan Benefits, and other information, please see the Actuarial Report from the actuarial firm of *Cheiron* dated as of September 30, 2021.

Reconciliation of the beginning and ending balance of CAVC’s Judicial Retirement Fund:

	2021	2020
Beginning Liability Balance, October 1, 2020	\$ 53,090,673	\$ 50,426,222
Pension Expense:		
Normal Cost	2,875,692	2,261,378
Interest on Pension Liability During the Period	726,784	694,197
Actuarial (Gains) Losses During the Period		
From Experience	805,833	1,300,772
From Discount Rate Assumption	2,299,680	1,906,406
From Other Assumption Changes	-	(739,943)
Total Pension Expenses	6,707,989	5,422,810
Less Benefits Paid	(2,869,190)	(2,758,359)
Ending Liability Balance, September 30, 2021	\$ 56,929,472	\$ 53,090,673

Normal Cost is the actuarial present value of the future cash outflows for which the entity will obligate during the reporting period.

## NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2021 were as follows:

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 64,300	\$ 64,300
Custodial Liability (other than the General Fund)	67	67
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity (other than the General Fund)	175	175
Employer Contributions and Payroll Taxes Payable	177,520	177,520
Unfunded FECA Liability	204	204
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 242,266</b>	<b>\$ 242,266</b>
With the Public		
Accrued Funded Payroll and Leave	\$ 844,909	\$ 844,909
Other Liabilities w/Related Budgetary Obligations	100	100
<b>Total Public Other Liabilities</b>	<b>\$ 845,009</b>	<b>\$ 845,009</b>
<b>Total Other Liabilities</b>	<b>\$ 1,087,275</b>	<b>\$ 1,087,275</b>

Other liabilities account balances as of September 30, 2020 were as follows:

	Current	Total
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 62,690	\$ 62,690
Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity (other than the General Fund)	125	125
Employer Contributions and Payroll Taxes Payable	141,966	141,966
Unfunded FECA Liability	204	204
Other Unfunded Employment Related Liability	3,504	3,504
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 208,489</b>	<b>\$ 208,489</b>
With the Public		
Accrued Funded Payroll and Leave	\$ 709,020	\$ 709,020
Reissued Payroll Check	2,259	2,259
Custodial Liability	46	46
<b>Total Public Other Liabilities</b>	<b>\$ 711,325</b>	<b>\$ 711,325</b>
<b>Total Other Liabilities</b>	<b>\$ 919,814</b>	<b>\$ 919,814</b>

## NOTE 9. LEASES

### Operating Leases

CAVC occupies office space under a lease agreement that is accounted for as an operating lease. The lease term began on November 1, 2020 and expires on October 31, 2035. Lease payments are increased annually based on the adjustments for operating cost and real estate tax escalations. The total operating lease expense for fiscal years 2021 and 2020 were \$2,291,185 and \$3,620,951, respectively. Below is a schedule of future payments for the term of the lease.

<b>Fiscal Year</b>	<b>Building</b>
2022	\$ 3,175,276
2023	3,219,723
2024	3,265,503
2025	3,312,656
2026	3,361,224
Thereafter	33,622,032
<b>Total Future Lease Payments</b>	<b>\$ 49,956,413</b>

The operating lease amount does not include estimated payments for leases with annual renewal options.

## NOTE 10. FUNDS FROM DEDICATED COLLECTIONS

CAVC's Judicial Retirement Fund is a fund from dedicated collections. The purpose of the fund is to provide a retirement benefit to the judges of CAVC. The Fund's revenues are derived from investments in intragovernmental non-marketable par value federal debt securities.

CAVC's Practice and Registration Fees Fund is also a fund from dedicated collections. The purpose of the fund is to collect fees from those who practice before CAVC and register for CAVC's judicial conferences in order to defray expenses incurred in producing the judicial conference and for use in other bar and bench events and proceedings.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds.

Schedule of Funds from Dedicated Collections as of September 30, 2021:

	Practice & Registration Fees Fund	Judges' Retirement Trust Fund	Total Funds from Dedicated Collections
<b>Balance Sheet</b>			
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 237,150	\$ 334,114	\$ 571,264
Investments	-	55,845,279	55,845,279
<b>Total Assets</b>	<b>\$ 237,150</b>	<b>\$ 56,179,393</b>	<b>\$ 56,416,543</b>
<b>Liabilities and Net Position</b>			
Judges' Retirement Fund Benefits	\$ -	\$ 56,929,472	\$ 56,929,472
Cumulative Results of Operations	237,150	(750,079)	(512,929)
<b>Total Liabilities and Net Position</b>	<b>\$ 237,150</b>	<b>\$ 56,179,393</b>	<b>\$ 56,416,543</b>
<b>Statement of Net Cost</b>			
Program Costs	\$ 32,833	\$ 6,700,738	\$ 6,733,571
Less: Earned Revenues	(23,150)	(6,658,582)	(6,681,732)
<b>Net Cost of Operations</b>	<b>\$ 9,683</b>	<b>\$ 42,156</b>	<b>\$ 51,839</b>
<b>Statement of Changes in Net Position</b>			
Net Position Beginning of Period	\$ 246,833	\$ (707,923)	\$ (461,090)
Net Cost of Operations	(9,683)	(42,156)	(51,839)
<b>Net Position End of Period</b>	<b>\$ 237,150</b>	<b>\$ (750,079)</b>	<b>\$ (512,929)</b>

Schedule of Funds from Dedicated Collections as of September 30, 2020:

	Practice & Registration Fees Fund	Judges' Retirement Trust Fund	Total Funds from Dedicated Collections
<b>Balance Sheet</b>			
<b>ASSETS</b>			
Fund Balance with Treasury	\$ 248,783	\$ 1,254,082	\$ 1,502,865
Investments	-	51,128,668	51,128,668
<b>Total Assets</b>	<b>\$ 248,783</b>	<b>\$ 52,382,750</b>	<b>\$ 52,631,533</b>

<b>Liabilities and Net Position</b>			
Judges' Retirement Fund Benefits	\$ -	\$ 53,090,673	\$ 53,090,673
Accounts Payable	1,950	-	1,950
Cumulative Results of Operations	246,833	(707,923)	(461,090)
<b>Total Liabilities and Net Position</b>	<b>\$ 248,783</b>	<b>\$ 52,382,750</b>	<b>\$ 52,631,533</b>

<b>Statement of Net Cost</b>			
Program Costs	\$ 36,029	\$ 5,330,777	\$ 5,366,806
Less: Earned Revenues	(23,725)	(5,302,262)	(5,325,987)
<b>Net Cost of Operations</b>	<b>\$ 12,304</b>	<b>\$ 28,515</b>	<b>\$ 40,819</b>

<b>Statement of Changes in Net Position</b>			
Net Position Beginning of Period	\$ 259,137	\$ (679,408)	\$ (420,271)
Net Cost of Operations	(12,304)	(28,515)	(40,819)
<b>Net Position End of Period</b>	<b>\$ 246,833</b>	<b>\$ (707,923)</b>	<b>\$ (461,090)</b>

**NOTE 11. EXPLANATION OF DIFFERENCES BETWEEN THE SBR AND THE BUDGET OF THE U.S. GOVERNMENT**

The President's Budget that will include fiscal year 2020 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2022 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2022 Budget of the United States Government, with the "Actual" column completed for 2020, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

**In Millions**

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Combined Statement of Budgetary Resources	\$ 97	\$ 38	\$ 36
Unobligated Balance Not Available	(7)	-	-
Difference - Due to Rounding	(1)	-	-
<b>Budget of the U.S. Government</b>	<b>\$ 89</b>	<b>\$ 38</b>	<b>\$ 36</b>



**NOTE 12. INTER-ENTITY COSTS**

CAVC recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the

responsibility of the administering agency, OPM. Some amounts paid from the U.S. Treasury's Judgment Fund in settlement of claims or court assessments against CAVC are also recognized as imputed financing. For the years ended September 30, 2021 and 2020, respectively, imputed financing was as follows.

	2021	2020
Office of Personnel Management	\$ 994,492	\$ 840,483
<b>Total Imputed Financing Sources</b>	<b>\$ 994,492</b>	<b>\$ 840,483</b>

**NOTE 13. UNDELIVERED ORDERS AT THE END OF THE PERIOD**

As of September 30, 2021, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	\$ 1,684,929	\$ 894,673	\$ 2,579,602
<b>Total Undelivered Orders</b>	<b>\$ 1,684,929</b>	<b>\$ 894,673</b>	<b>\$ 2,579,602</b>

As of September 30, 2020, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
Unpaid Undelivered Orders	\$ 1,627,801	\$ 572,050	\$ 2,199,851
<b>Total Undelivered Orders</b>	<b>\$ 1,627,801</b>	<b>\$ 572,050</b>	<b>\$ 2,199,851</b>

**NOTE 14. CUSTODIAL ACTIVITY**

CAVC's custodial collection primarily consists of filing fees. While these collections are considered custodial, they are neither primary to the mission of CAVC nor material to the overall financial statements. CAVC's total custodial collections are \$135,430 and \$148,850 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 15. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1**

	2021	2020
Unobligated Balance Brought Forward From Prior Year, October 1	\$ 59,336,096	\$ 60,253,878
Recoveries of Prior Year Obligations	287,140	513,320
Other Changes in Unobligated Balances	(3,336,610)	(3,905,096)
<b>Unobligated Balance From Prior Year Budget Authority, Net</b>	<b>\$ 56,286,626</b>	<b>\$ 56,862,102</b>

## NOTE 16. RECONCILIATION OF NET COST TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Reconciliation of Net Cost to Net Outlays as of September 30, 2021:

**RECONCILIATION OF NET COST TO NET OUTLAYS  
BUDGET AND ACCRUAL RECONCILIATION  
FOR THE YEARS ENDED SEPTEMBER 30, 2021  
(In Dollars)**

	Intragovernmental	With the Public	Total
<b>Net Operating Cost (SNC)</b>	\$ 5,454,768	\$ 32,584,362	\$ 38,039,130
<b>Components of Net Cost Not Part of the Budgetary Outlays</b>			
Property, Plant, and Equipment Depreciation Expense	-	(418,111)	(418,111)
<b>Increase/(Decrease) in Assets:</b>			
Accounts Receivable, Net	-	71	71
Securities and Investments	(24,532)	-	(24,532)
<b>(Increase)/Decrease in Liabilities:</b>			
Accounts Payable	14,096	77,124	91,220
Federal Employee and Veteran Benefits Payable	-	(4,002,379)	(4,002,379)
Other Liabilities	(33,660)	(133,729)	(167,389)
<b>Financing Sources:</b>			
Imputed Cost	(994,492)	-	(994,492)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlay</b>	<b>\$ (1,038,588)</b>	<b>\$ (4,477,024)</b>	<b>\$ (5,515,612)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of Capital Assets	-	63,328	63,328
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	<b>\$ -</b>	<b>\$ 63,328</b>	<b>\$ 63,328</b>
<b>Misc Items</b>			
Distributed Offsetting Receipts (SBR 4200)	-	-	(898,782)
Custodial/Non-Exchange Revenue	135,451	(135,473)	(22)
Appropriated Receipts for Trust/Special Funds	6,594,059	112,205	6,706,264
<b>Total Other Reconciling Items</b>	<b>\$ 6,729,510</b>	<b>\$ (23,268)</b>	<b>\$ 5,807,460</b>
<b>Total Net Outlays (Calculated Total)</b>	<b>\$ 11,145,690</b>	<b>\$ 28,147,398</b>	<b>\$ 38,394,306</b>
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			
<b>Budgetary Agency Outlays, Net</b>			<b>\$ 38,394,306</b>

Reconciliation of Net Cost to Net Outlays as of September 30, 2020:

**UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS**  
**BUDGET AND ACCRUAL RECONCILIATION**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2020**  
(In Dollars)

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	\$ 11,244,121	\$ 23,845,326	\$ 35,089,447
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, plant, and equipment depreciation	-	(541,973)	(541,973)
<b>(Increase)/Decrease in assets not affecting Budget Outlays:</b>			
Accounts receivable	-	(3,280)	(3,280)
<b>(Increase)/Decrease in liabilities not affecting Budget Outlays:</b>			
Accounts payable	(9,590)	671,301	661,711
Salaries and benefits	(49,901)	(138,381)	(188,282)
Other liabilities	(2,679)	(2,882,336)	(2,885,015)
<b>Other financing sources:</b>			
Imputed federal employee retirement benefit costs	(840,483)		(840,483)
<b>Total Components of Net Operating Cost Not Part of the Budget Outlays</b>	<b>\$ (902,653)</b>	<b>\$ (2,894,669)</b>	<b>\$ (3,797,322)</b>
<b>Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of capital assets	-	221,192	221,192
Employer Retirement Contributions	4,313,000	-	4,313,000
<b>Total Components of the Budget Outlays That Are Not Part of Net Operating Cost</b>	<b>\$ 4,313,000</b>	<b>\$ 221,192</b>	<b>\$ 4,534,192</b>
<b>Net Outlays (Calculated Total)</b>	<b>\$ 14,654,468</b>	<b>\$ 21,171,849</b>	<b>\$ 35,826,317</b>
<b>Related Amounts on the Statement of Budgetary Resources</b>			
Outlays, net, (total) (SBR 4190)			36,839,304
Distributed offsetting receipts (SBR 4200)			(1,012,987)
<b>Outlays, Net (SBR 4210)</b>			<b>\$ 35,826,317</b>