

The Stars and Stripes
(A Nonappropriated Fund of
the U.S. Government)

FINANCIAL REPORT

SEPTEMBER 30, 2008 AND 2007



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INDEPENDENT AUDITOR'S REPORT

To the Commander/Publisher of
The Stars and Stripes:

We have audited the accompanying balance sheets of the nonappropriated fund (NAF) of The Stars and Stripes as of September 30, 2008 and 2007, and the related statements of operations and changes in fund balance, and cash flows for the years then ended. These financial statements are the responsibility of The Stars and Stripes' management. 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the nonappropriated fund of The Stars and Stripes at September 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2009 on our consideration of the nonappropriated fund of The Stars and Stripes' internal control over financial reporting and our tests of its compliance and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this Independent Auditor's report in considering the results of our audits.

Witt Mares, PLC

Fairfax, Virginia
April 30, 2009

FINANCIAL STATEMENTS



**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Balance Sheets

September 30, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash	\$ 13,556,706	\$ 22,179,724
Less restricted cash	<u>(747,269)</u>	<u>(1,363,440)</u>
Net cash	12,809,437	20,816,284
Receivables		
Trade (net of allowance for doubtful accounts of \$355,265 and \$420,942 in 2008 and 2007, respectively)	2,911,955	2,716,565
Nontrade	7,588,494	2,546,375
Inventories	120,387	120,017
Prepays and other current assets	<u>242,510</u>	<u>383,588</u>
Total current assets	<u>23,672,783</u>	<u>26,582,829</u>
PROPERTY AND EQUIPMENT (NET)	<u>5,500,057</u>	<u>3,392,150</u>
OTHER ASSETS		
Intangible asset	85,000	85,000
Restricted cash	<u>747,269</u>	<u>1,363,440</u>
Total other assets	<u>832,269</u>	<u>1,448,440</u>
Total assets	<u>\$ 30,005,109</u>	<u>\$ 31,423,419</u>



**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Balance Sheets

September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES		
Accounts payable	\$ 2,888,685	\$ 3,042,091
Accrued expenses	1,448,739	1,006,875
Accrued payroll	1,130,871	993,590
Deferred revenue and deposits	<u>2,519,348</u>	<u>1,607,797</u>
Total current liabilities	7,987,643	6,650,353
LONG-TERM LIABILITIES		
Accrued moving and return travel	<u>1,252,448</u>	<u>1,189,896</u>
Total liabilities	<u>9,240,091</u>	<u>7,840,249</u>
COMMITMENTS AND CONTINGENCIES		
FUND BALANCE		
	<u>20,765,018</u>	<u>23,583,170</u>
Total liabilities and fund balance	<u>\$ 30,005,109</u>	<u>\$ 31,423,419</u>

See accompanying notes.

**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Statements of Operations and Changes in Fund Balance
Years Ended September 30, 2008 and 2007

	2008	2007
REVENUES		
Newspaper circulation	\$ 8,383,403	\$ 9,149,400
Other newspapers	299,676	344,065
Advertising	15,116,410	14,246,107
Job printing	1,003,661	783,987
Unit newspapers	67,203	78,877
Interest income	568,517	639,401
Other income	757,934	395,957
Total revenues	26,196,804	25,637,794
EXPENSES		
Editorial	5,420,838	9,692,012
Production	4,843,252	2,125,876
Other newspapers	216,851	203,409
Advertising	6,398,681	4,959,634
Job printing	795,733	182,572
Selling and distribution	4,942,550	5,597,243
General and administrative	6,397,051	4,926,234
Total expenses	29,014,956	27,686,980
Net loss	(2,818,152)	(2,049,186)
FUND BALANCE		
Beginning of year	23,583,170	25,632,356
End of year	\$ 20,765,018	\$ 23,583,170

See accompanying notes.



**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Statements of Cash Flows
Years Ended September 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,818,152)	\$ (2,049,186)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities		
Depreciation	1,049,142	770,446
Loss on disposal	112,857	55,554
Changes in assets and liabilities:		
Trade receivables	(195,390)	534,330
Nontrade receivables	-	3,019
Inventories	(370)	13,645
Prepays and other current assets	141,078	111,826
Accounts payable	(153,406)	270,017
Accrued expenses	441,864	(327,172)
Accrued payroll	137,281	81,293
Deferred revenue and deposits	911,551	1,041,152
Accrued moving and return travel	62,552	(31,564)
Net cash (used in) provided by operating activities	(310,993)	473,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(3,269,906)	(1,187,854)
CASH FLOWS FROM FINANCING ACTIVITIES		
MWR USA/UFM reimbursement (net)	(5,042,119)	5,587,931
Net (decrease) increase in cash	(8,623,018)	4,873,437
CASH		
Beginning of year	22,179,724	17,306,287
End of year	\$ 13,556,706	\$ 22,179,724

See accompanying notes.



**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Notes to Financial Statements
September 30, 2008 and 2007

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations

The Stars and Stripes (S&S) is a Category B revenue producing nonappropriated fund instrumentality. Its mission is to publish and distribute daily newspapers to the U.S. military community located outside the continental United States.

Inventories

Newsprint and other inventories are stated at the lower of cost (first-in, first-out method) or market.

Intangible Asset

The intangible asset is a trademark that has an indefinite life and, therefore, is not amortized in accordance with Statement of Financial Accounting Standards No. 142 - Goodwill and Other Intangible Assets.

Depreciation

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets using the straight-line method. The range of lives over which property and equipment are being depreciated is as follows:

Buildings and improvements	10 to 30 years
Furniture, fixtures and equipment	2 to 10 years
Electronic equipment	2 to 10 years
Vehicles	2 to 7 years

Foreign Currency Translation

S&S's functional currency is the U.S. dollar. Sales and expenses transacted in foreign currencies are translated at the average exchange rate in effect during each month. All realized and unrealized exchange gains or losses are included in results of operations. Balances in foreign currencies are translated into U.S. dollars using the rate applicable at the balance sheet date.

Cash and Cash Equivalents

S&S maintains amounts in bank accounts, which, at times, may exceed federally insured limits. S&S has not experienced any losses in such accounts. The statements of cash flows are prepared on the basis of total cash, including restricted cash (note 2). For purposes of the statements of cash flows, S&S considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2008 and 2007.

(Continued)

**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Notes to Financial Statements
September 30, 2008 and 2007

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Moving and Return Travel

U.S. employees hired from the Continental United States (CONUS) are provided with allowances for transportation of persons and household goods from and back to the United States. At September 30, 2008 and 2007, S&S has accrued \$1,252,448 and \$1,189,896, respectively, for such allowances.

Home Leave and Allowances

Employees are entitled to home leave, vacation, and sick leave allowances. These are based on prescribed formulas which allow for the carryover of unlimited amounts of sick leave, up to 30 days of vacation leave for CONUS employees, and up to 45 days of vacation leave for outside CONUS employees. Certain local national employees can earn certain severance leave based on contractual terms and formulas.

Direct Appropriated Fund Support

S&S receives certain support from U.S. Government Appropriated Fund (APF) activities without charge. This support is principally provided through the use of land and buildings, by U.S. Military personnel assigned to S&S billets, and in the form of utilities, maintenance service, security, American Post Office transportation of bulk mail, and second destination transportation costs for delivery of newspapers. The value of this support is not readily available on a timely basis nor is it susceptible to verification and, therefore, is not disclosed in the financial statements.

Direct support that is capable of measurement consisted of approximately \$1,920,921 and \$3,750,000 for rent, remote printing, shipping, maintenance, equipment and communication costs during fiscal 2008 and 2007, respectively.

All direct appropriated fund support is excluded from the nonappropriated fund financial statements.

Uniform Funding and Management (UFM)

UFM was fully implemented as an Army-wide MWR initiative during 2007, and has therefore been adopted by the S&S. It is an alternative means of executing fund support and is the merging of appropriated funds (APF) and nonappropriated funds (NAF).

(Continued)

**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Notes to Financial Statements
September 30, 2008 and 2007

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Morale, Welfare, and Recreation USA Program (MWR USA)

S&S received appropriated fund support through the MWR USA program. This program reimbursed the nonappropriated fund for authorized expenditures in providing appropriated fund services. Authorized services include personnel services, supplies, newsprint purchases, furniture, fixtures, and equipment. This program has been replaced by the UFM program. During fiscal 2008 and 2007, S&S received support of approximately \$21,400,000 and \$16,100,000 of which \$7,265,085 and \$2,342,335 is included in non-trade receivables at September 30, 2008 and 2007, respectively.

All appropriated fund support, under the MWR USA program, is excluded from the statements of operations and changes in fund balance.

Foreign National Employees Separation Pay Account

Appropriated funds are provided to the Foreign National Employees Separation Pay Account (FNESPA) for future European local national employee severance payment requirements. All severance payments for European local national employees will be funded with appropriated funds.

Receivables

Trade receivables are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Uncollectible accounts are written off during the year in which they are identified.

Income Taxes

As an NAF instrumentality of the U.S. Government, S&S is exempt from the payment of federal income taxes. Further, S&S is under the jurisdiction of various Status of Forces Agreements and is exempt from payment of income and other taxes within the foreign countries in which it operates.

Financial Statement Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(Continued)

**THE STARS AND STRIPES
NONAPPROPRIATED FUND**
Notes to Financial Statements
September 30, 2008 and 2007

NOTE 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Reclassifications

Certain items in the 2007 financial statements have been reclassified to conform with the 2008 presentation. Such reclassifications have no effect on net operations as previously reported.

NOTE 2. CASH ON DEPOSIT WITH THE UNITED STATES ARMY BANKING AND INVESTMENT FUND (ABIF)

Included in the cash balances of \$13,556,706 and \$22,179,724 as of September 30, 2008 and 2007, respectively, is \$12,087,436 and \$21,303,970, respectively, maintained in the United States Army Banking and Investment Fund (ABIF). The ABIF acts as a pooling agent for all Army and certain Department of Defense nonappropriated activities and invests principally in U.S. Treasury Securities, U.S. Government agency securities, and certificates of deposit. The rate of interest paid to depositors is determined periodically by ABIF management, and averaged 4.4 and 4.5 percent during the years ended September 30, 2008 and 2007, respectively.

The S&S maintain a minimum cash balance adequate to fund all planned and projected capital expenditures. Management has determined that \$747,269 and \$1,363,440, included in the ABIF balance at September 30, 2008 and 2007, respectively, is restricted for this purpose.

NOTE 3. INVENTORIES

	September 30	
	2008	2007
News print and news ink	\$ 64,539	\$ 68,232
Supplies	55,848	51,785
Total inventories	\$ 120,387	\$ 120,017

As discussed in Note 1 to the financial statements, appropriated fund support is provided for the purchase of newsprint inventory.

**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Notes to Financial Statements
September 30, 2008 and 2007

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment is stated at historical cost and consists of the following as of September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$ 2,994,735	\$ 3,220,980
Furniture, fixtures and equipment	6,173,715	5,585,368
Electronic equipment	11,096,166	9,213,225
Vehicles	1,530,636	1,314,379
Construction in progress	<u>163,420</u>	<u>-</u>
	21,958,672	19,333,952
Less accumulated depreciation	<u>(16,458,615)</u>	<u>(15,941,802)</u>
	<u>\$ 5,500,057</u>	<u>\$ 3,392,150</u>

Depreciation expense totaled \$1,049,142 and \$770,446 for the years ended September 30, 2008 and 2007, respectively. Property and equipment includes fully depreciated assets in the approximate amount of \$6,643,000 and \$13,719,000 at September 30, 2008 and 2007, respectively.

NOTE 5. GOVERNMENT OF JAPAN COST SHARING AGREEMENT

In 1991, U.S. Forces Japan (USFJ) entered into the Indirect Hire Agreement (Agreement) with the Government of Japan (GOJ), whereby GOJ would reimburse USFJ for labor costs of Japanese local national workers covered under the Agreement, up to a budgeted limit computed based on headcount and average salary. These employees are now paid directly by the GOJ. Furthermore, S&S obtained the services of Japanese local nationals (MLC employees) who were paid directly by the GOJ. The total benefit to S&S, in salary terms, is estimated to be approximately \$8,496,000 and \$7,700,000 in 2008 and 2007, respectively. These costs are not included in the nonappropriated fund financial statements.

The Japanese local national employees employed under the Agreement are eligible for a Comparative Termination Allowance to be paid upon their separation from employment. The allowance is computed based on a formula stipulated in the Agreement and is subject to reimbursement by the GOJ.

**THE STARS AND STRIPES
NONAPPROPRIATED FUND**

Notes to Financial Statements
September 30, 2008 and 2007

NOTE 6. RETIREMENT AND 401(k) SAVINGS PLANS

S&S participates in the U.S. Army Nonappropriated Fund Employee Retirement Plan and 401(k) Savings Plan and contributes to the Plans for S&S employees. S&S incurred costs related to the Retirement Plan of \$843,378 and \$793,364 for the years ended September 30, 2008 and 2007, respectively, and incurred costs related to the 401(k) Savings Plan of \$308,173 and \$292,266 for the years ended September 30, 2008 and 2007, respectively.

NOTE 7. CONTINGENCIES

S&S is involved in legal proceedings arising in the ordinary course of business. In the opinion of management, the outcome of such proceedings will have no material effect on the financial statements.

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

To the Commander/Publisher of
The Stars and Stripes:

We have audited the accompanying financial statements of the nonappropriated fund (NAF) of The Stars and Stripes, as of and for the year ended September 30, 2008, and have issued our report thereon dated April 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered The Stars and Stripes internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Stars and Stripes' internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether The Stars and Stripes' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

OTHER ITEMS

The items noted below were not considered material weaknesses in the internal control over financial reporting or reportable noncompliance. However, we wish to bring these matters to your attention:

AAA-1: FIXED ASSETS

Observation

We noted in the Europe theatre that fixed asset inventory counts conducted at year end were performed utilizing documentation that had not been updated for all year end activity. New fixed asset software had been obtained near the fiscal year end, and subsequently a move to a new location occurred. As such, due to the move and employees being untrained on the new system, employees performed the count utilizing data that had not been updated.



Management Response

Management concurs and will ensure that the general ledger balances agree with subsidiary ledgers.

Auditors Response

We will follow up and report on the status in the subsequent audit period.

This report is intended for the information and use of The Stars and Stripes Management and the Office of the Assistant Secretary of Defense for Public Affairs. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Witt Mares, PLLC

Fairfax, Virginia
April 30, 2009



**(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Balance Sheet
For the Period Ending 30 September 2008 (FY 08)**

ASSETS

Current Assets	
Cash/Investments	\$13,260
Receivables	12,071
Inventories	120
Other Current Assets	774
Total Current Assets	<u>\$26,225</u>
Noncurrent Assets	
NAFI Owned Fixed Assets	\$21,384
Less: Accumulated Depreciation	16,330
Net NAFI Owned Fixed Assets	<u>\$5,053</u>
Government Titled Fixed Assets ¹	\$0
Less: Accumulated Depreciation	\$0
Net Government Titled Fixed Assets	<u>\$0</u>
Other	0
Total Noncurrent Assets	<u>\$5,053</u>
Total Assets	<u><u>\$31,279</u></u>

LIABILITIES & NET WORTH

Current Liabilities	
Accounts Payable	\$2,889
Other	6,373
Total Current Liabilities	<u>\$9,262</u>
Long Term Liabilities	
Loans Payable	\$0
Other	1,252
Total Long Term Liabilities	<u>\$1,252</u>
Total Liabilities	<u>\$10,514</u>
Net Worth	<u>\$20,764</u>
Total Liabilities & Net Worth	<u><u>\$31,279</u></u>

¹Real property and other fixed assets financed with Nonappropriated Funds and titled with the U.S. government.

Notes to Balance Sheet:
Stars & Stripes has no Government Titled Assets

**(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Reconciliation of Net Worth
For the Period Ending 30 September 2008 (FY 08)**

Net Worth, Beginning:	<u>\$23,583</u>
Additions to Net Worth:	
Net Income	(\$2,819)
Grants Received	
Other Increases (specify) ¹	<u>0</u>
Total Additions	<u>(\$2,819)</u>
Reductions to Net Worth:	
Net Loss	\$0
Grants Disbursed	
Other Decreases (specify) ²	<u>0</u>
Total Reductions	<u>\$0</u>
Net Addition/Reduction to Net Worth	<u>(2,819)</u>
Net Worth, Ending	<u><u>\$20,764</u></u>

**(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Statement of Income and Expense
For the Period Ending 30 September 2008 (FY 08)**

	<u>Current Year (FY 2008)</u>		<u>Prior Year (FY 2007)</u>	
	<u>Amount</u>	<u>Percent of Revenue</u>	<u>Amount</u>	<u>Percent of Revenue</u>
Sales	\$24,466	92.9%	\$24,911	96.8%
Cost of Goods Sold (% of Sales)	\$7,947	32.5%	\$7,716	31.0%
Gross Margin	\$16,519	67.5%	\$17,195	69.0%
Other Operating Income:				
Participation Fees and Charges		0.0%		0.0%
Dues and Assessments		0.0%		0.0%
Concessionaire Payments		0.0%		0.0%
Other	\$30	0.1%		0.0%
Total Other Operating Income	\$30	0.1%	\$0	0.0%
GROSS OPERATING INCOME	\$16,549	62.8%	\$17,195	66.8%
Operating Expenses (Schedule A)	\$21,215	80.5%	\$20,066	78.0%
OPERATING MARGIN	(\$4,667)	-17.7%	(\$2,871)	-11.2%
Other Income:				
Dividends		0.0%		0.0%
Grants		0.0%		0.0%
Other	\$1,848	7.0%	\$822	3.2%
Total Non-Operating Income	\$1,848	7.0%	\$822	3.2%
Other Expense (Schedule A)		0.0%		0.0%
NET INCOME BEFORE EXTRAORDINARY ITEMS	(\$2,819)	-10.7%	(\$2,049)	-8.0%
Extraordinary Income		0.0%		0.0%
Extraordinary Expense Items (Schedule A)		0.0%		0.0%
NET INCOME	(\$2,819)	-10.7%	(\$2,049)	-8.0%
USA support eliminated from :				
Other Operating Income and Operating Expenses	\$ 21,432		\$ 16,102	
Total Revenue	\$ 26,343		\$ 25,733	
Total Expenses (Schedule A)	\$ 21,215		\$ 20,066	

**(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Schedule A to the Income and Expense Statement
For the Period Ending 30 September 2008 (FY 08)**

(\$ in thousands)

<u>Cost Expense Captions</u>	<u>APF</u>	<u>NAF</u>
Military Personnel		n/a
Civilian Personnel (salaries & wages)		\$3,664
Civilian Personnel (services & benefits)		3,036
Utilities & Rents	846	119
Communications	93	330
Sustainment, Restoration and Modernization (including APF minor construction)	762	54
Supplies & Equipment	2	808
Contractual Services	23,247	0
Travel of Personnel	0	298
Transportation of Things	218	16
Reimbursed Common Support		
NAF Depreciation		523
All Other Expenses		12,365
TOTAL EXPENSE	<u>\$25,168</u>	<u>\$21,215</u>
<u>Capital Expenditure Captions</u>		
Construction of Facilities:		
APF (MILCON)		n/a
NAF	n/a	
Equipment (investment type)		
TOTAL COSTS (less depreciation)	<u>\$25,168</u>	<u>\$20,692</u>

- See Cost of Goods Sold Schedule A for details
- MILPER includes both Army & Other Services.

**(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Schedule A to the Income and Expense Statement - COGS
For the Period Ending 30 September 2008 (FY 08)**

(\$ in thousands)

<u>Cost Expense Captions</u>	<u>APF</u>	<u>NAF</u>
Military Personnel		n/a
Civilian Personnel (salaries & wages)		\$1,705
Civilian Personnel (services & benefits)		1,722
Utilities & Rents		135
Communications		172
Sustainment, Restoration and		277
Supplies & Equipment		216
Contractual Services		0
Travel of Personnel		115
Transportation of Things		113
Reimbursed Common Support		
NAF Depreciation		397
All Other Expenses		3,095
TOTAL EXPENSE	<u>\$0</u>	<u>\$7,947</u>

Capital Expenditure Captions

Construction of Facilities:

APF (MILCON)		n/a
NAF	n/a	\$0
Equipment (investment type)		\$0

TOTAL COSTS (less depreciation)	<u>\$0</u>	<u>\$7,550</u>
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The above expense items have been included in Cost of Goods Sold

(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Statement of Cash Flows
For the Period Ending 30 September 2008 (FY 08)

	<u>Current Year</u>	<u>Prior Year</u>
Operating Activities: Net Income	<u>(\$2,819)</u>	<u>(\$2,049)</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	\$920	\$789
Loss on Disposal of Fixed Assets		
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	(\$5,446)	6,331
Decrease (increase) in inventories	(\$0)	14
Decrease (increase) in prepaid expenses	(\$723)	444
Increase (decrease) in accounts payable	(\$153)	232
Increase (decrease) in unearned income	(\$40)	6
Increase (decrease) in other current liabilities	\$1,775	620
Other (specify)	\$63	(106)
Total Adjustments	<u>(\$3,604)</u>	<u>\$8,329</u>
Net Cash Provided by (Used In) Operating Activities	<u>(\$6,423)</u>	<u>\$6,280</u>
Investing Activities:		
(Purchase of Fixed Assets)	(\$1,965)	(\$1,019)
Proceeds from the Sale of Fixed Assets	\$0	110
Other (Specify) ⁽¹⁾	(\$532)	(242)
Net Cash Used in Investing Activities	<u>(\$2,497)</u>	<u>(\$1,151)</u>
Financing Activities:		
Net Borrowing (Specify)		
(Payment of Dividends)		
Capital Grants		
Net proceeds from (payments on) other long-term liabilities		
Other (specify)		
Net Cash Provided by (Used in) Financing Activities	<u>\$0</u>	<u>\$0</u>
Net decrease/increase in cash and cash equivalents	<u>(\$8,920)</u>	<u>\$5,129</u>
Cash and Cash Equivalents at Beginning of Year	\$22,180	\$17,051
Cash and Cash Equivalents at End of Year	<u><u>\$13,260</u></u>	<u><u>\$22,180</u></u>

(1) Write down of assets

**(Army) Supplemental Mission Program - Joint Service Stars and Stripes
Funds Available/Projected Usage Report
For the Period Ending 30 September 2008 (FY 08)**

	Amount of Funds Invested As of Close of	
	Current Year	Prior Year
FUNDS AVAILABLE:		
Operating Cash Invested in Central Banking Program	\$10,908	\$11,484
Other Cash Resources/Local Balances:		
Local Bank Accounts	1,437	1,982
Cash on Hand in Change Funds, Petty Cash Funds & Conversion Funds	\$29	\$58
Other Investments (Specify)		
Fixed Asset Sinking Funds	883	3,527
Employee Benefit Sinking Funds ¹		
Projected Net Income Before Depreciation for Next FY	500	500
Total Funds Available	<u>\$13,756</u>	<u>\$17,551</u>
VALIDATED COMMITMENTS:		
Cash for Continuing Operations (Compensating Bank Balances, Operations, Petty Cash, Change Funds, Accounts Payable, Other Current Liabilities, etc.)	\$12,000	\$13,000
Employee Benefits (Specify) ¹		
Reduction in Long-Term Debt	0	0
Projected Capital Expenditures for Next FY	1	3,527
Dividends to be Paid (Exchanges Only)		
Total Projected Usage	<u>\$12,001</u>	<u>\$16,527</u>
Excess (Shortfall) of Funds	\$1,755	\$1,024

¹Includes monies to be paid for severance; FICA; medical, dental, and life insurance, plus disability (if not included in retirement), unemployment compensation; bonuses or incentive awards; moving expenses; and for time not worked due to sickness, death

**(Army) Supplemental Mission Program -Stars and Stripes only
Resources Received Under the DoD MWR USA Practice
For the Period Ending 30 September 2008 (FY 08)**

Cost Expense Captions	Source of APF USA Resources (identify appropriation)			Total
	OMA	Specify* OMN	Specify* OMD	
Military Personnel	n/a	n/a	n/a	n/a
Civilian Personnel (salaries & wages)	5,789		\$1,298	\$7,087
Civilian Personnel (services & benefits)	\$0		\$4,024	4,024
Utilities & Rents			\$48	48
Communications			\$100	100
Sustainment, Restoration and Modernization (including minor construction)			\$0	0
Supplies & Equipment			\$0	0
Contractual Services			\$0	0
Travel of Personnel			\$803	803
Transportation of Things			\$708	708
Reimbursed Common Support	n/a	n/a	n/a	n/a
NAF Depreciation	n/a	n/a	n/a	n/a
All Other Expenses	\$0	\$0	\$8,661	8,661
TOTAL EXPENSE	<u>\$5,789</u>	<u>\$0</u>	<u>\$15,643</u>	<u>\$21,432</u>
Capital Expenditure Captions:				
Construction of Facilities				\$0
Equipment (Investment-Type)				0
TOTAL CAPITAL EXPENDITURES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL COSTS	<u>\$5,789</u>	<u>\$0</u>	<u>\$15,643</u>	<u>\$21,432</u>

Include all obligations of APF provided for support of the program through the MWR utilization, Support and Accountability (USA) practice. (Do not include APF obligations reimbursed by NAF.)

*Show applicable appropriation captions (such as O&M, O&M Reserve, etc.)

(Army) Supplemental Mission Program -Stars and Stripes only
 DoD MWR USA Practice Support
 For the Period Ending 30 September 2008 (FY 08)

(\$ in thousands)

	OMA		Source Appropriation Specify* OMN		Specify* OMD		Total MWR/USA Support		Total Operating Support ¹
	\$	%	\$	%	\$	%	\$	%	\$
B6. Stars & Stripes	<u>5,789</u>	27.0%	<u>0</u>	0.0%	<u>15,643</u>	73.0%	\$21,432	85.2%	<u>\$25,168</u>
Total Supplemental Mission	\$5,789	27.0%	\$0	0.0%	\$15,643	73.0%	\$21,432	85.2%	\$25,168

¹Show total APF operating support per Schedule A

NAFI EMPLOYEES' COMPENSATION & BENEFITS REPORT

Military Service: Joint Service
 Program Group: Supplemental Mission Funds - Stars & Stripes Only
 Category: Category B - Basic Community Support Activities

For the Year Ending: 30-Sep-08

A. NAFI EMPLOYEE COSTS	
1. All Employees in United States	
a. Payroll - TOTAL	\$5,247,451
b. Benefits	
(1) FICA	401,533
(2) Retirement	368,327
(3) Other	1,477,397
TOTAL	\$2,247,258
2. All Employees in Overseas Areas	
a. U.S. Citizens/Nationals	
(1) Payroll - TOTAL	\$5,971,799
(2) Benefits	
a) FICA	476,419
b) Retirement	475,051
c) Other	5,394,342
TOTAL	\$6,345,812
b. Foreign Nationals	
(1) Payroll - TOTAL	\$1,228,191
(2) Benefits - TOTAL	\$199,535
TOTAL	\$21,240,046
B. NAF BENEFIT PROGRAMS	
1. Retirement	
a. Full-Time Employees Eligible	217
b. Full-Time Employee Participants	213
c. Part-Time Employees Eligible	14
d. Part-Time Employee Participants	12
2. Medical Insurance	
a. Full-Time Employees Eligible	221
b. Full-Time Employee Participants	175
c. Part-Time Employees Eligible	12
d. Part-Time Employee Participants	3
3. Life Insurance	
a. Full-Time Employees Eligible	221
b. Full-Time Employee Participants	151
c. Part-Time Employees Eligible	12
d. Part-Time Employee Participants	1