WORKING CAPITAL FUND

FY 2004 First Quarter Report: Summary

I. Relation of Earnings to Expenses

- Each business is expected to achieve a balance between annual ‘earnings’ (billings to customers pursuant to Board-approved pricing policies) and ‘expenses’ (accrued contractual costs adjusted for depreciation, inventory changes, and related business-type costs). Quarterly analyses are intended primarily to identify emerging annual issues that may warrant changes in Board pricing policies. You will notice that some of the business names have changed.

WORKING CAPITAL FUND FY 2004 First Quarter Business Results (in Millions)			
TABLE I			
Business Line	**First Quarter Earnings**	**First Quarter Business Expenses**	**First Quarter Net**
Supplies	$0.6	$0.6	$0.0
Mail	$0.6	$0.6	$0.0
Copying	$0.6	$0.7	-$0.1
Printing/Graphics	$0.7	$0.6	$0.1
Building Occupancy	$15.7	$15.4	$0.3
Telephones	$1.8	$1.8	-$0.0
Desktop	$0.2	$0.2	$0.0
Network	$1.5	$1.6	-$0.1
Procurement Services	$0.2	$0.2	$0.0
Payroll Processing	$0.7	$0.7	$0.0
CHRIS	$0.5	$0.5	$0.0
Corp Training Services	$0.1	$0.1	$0.0
PMCDP	$0.0	$0.0	$0.0
TOTAL [1]	**$23.2**	**$23.0**	**$0.2**

The Fund earned $0.2 million (0.9%) on $23.2 M in earnings in the first quarter of FY 2004. Specific differences in excess of $50,000 are as follows:

- The Copy Business Line had net earnings of -$75,516 in the first quarter, resulting from declining use of central copiers and extraordinary expenses related to equipment. This situation has been reported for several quarters and the business plans on acquiring new equipment in FY 2004 that will allow it to break even. In the meantime the business is using

1 When converting from whole dollars to tens of millions total amounts do not always add due to rounding.

its cash reserves to remain solvent and no price increases are being sought at this time.

- The Printing and Graphics Business Line reported net earnings of $74,829 in the first quarter that are the result of savings in graphics overhead and prior year credits.

- The Building Business Line had net earnings of $303,080 in the first quarter that are the result of earning for building improvements that require long lead procurement.

- The Network Business Line had net earnings of -$93,189 in the first quarter that is the result of a prior year expense that was booked in FY 2004.

Both earnings and expenses reported above have been adjusted from the DISCAS accounting to present the Fund's net earnings with the most accurate and latest information. In the case of Earnings, Mail, CHRIS, Corporate Training Services, and PMCDP earnings have been adjusted down to reflect annual collections that should be reported in 25% increments each quarter. Telephone results have been adjusted to offset the reverse billing for August/September usage billed in October/November. Costs for Supply, Copy, Building, and Telephone have been adjusted up (CHRIS adjusted down) to account for costs that should have been recognized in the first quarter but were not accrued by the business lines.

These adjustments seem justified during interim reporting in the fiscal year, because our emphasis is on providing the Board with the most accurate reporting and estimates of annual performance. At year-end, the Fund has more time to estimate accruals, which allows business managers to analyze costs in greater detail. For that reason, we rely on DISCAS data alone for the Annual Report.

II. Relation of Customer Payments to Anticipated Customer Billings

- Obligation authority for Fund businesses is derived from customer advance payments for services. The Board has adopted procedures calling for customers to make full-year advance payments into the Fund. The length of the continuing resolution affected collections to-date in FY 2004. We expect to return to traditional levels of advance funding once appropriations are complete.

- By December, we had collected $58.3 million (60%) of the estimated $96.7 million in FY 2004 annual revenues (Table II). The Fund Manager has been working with both the business lines and customer organizations to accommodate the effects of the delay in enacting full year appropriations for FY 2004.

WORKING CAPITAL FUND			
FY 2004 First Quarter Business Results (in Millions)			
TABLE II			
Business Line	**Advances as of First Quarter [2]**	**Anticipated Full Year**	**% Collected**
Supplies	$ 1.5	$2.5	60%
Mail	$ 1.7	$2.6	65%
Copying	$ 1.5	$2.5	60%
Printing/Graphics	$ 2.3	$2.9	79%
Building Occupancy	$ 37.5	$62.1	60%
Telephones	$ 4.4	$8.3	53%
Desktop	$ 1.1	$1.2	92%
Network	$ 3.2	$5.9	54%
Procurement Services	$ 1.1	$1.3	85%
Payroll Processing	$ 1.1	$2.1	52%
Chris	$ 1.1	$2.2	50%
Corp Training	$ 0.4	$0.6	67%
PMCDP	$ 1.3	$2.5	52%
TOTAL	**$ 58.3**	**$ 96.7**	60%

2 Customer advances include prior year customer advances. (see Table III).

III. Relation of Payments to Obligations by Business Line

- There have been no violations of administrative control of funds procedures by WCF business lines.

- As shown in Table III, funds available exceeded obligations by an estimated $41.1 million by the end of the first quarter. The rate of obligation is behind annualized estimates due to the length of the continuing resolution at the beginning of FY 2004.

WORKING CAPITAL FUND					
FY 2004 First Quarter Business Results (in Millions)					
TABLE III					
Business Line	**Unobligated Balance [3] 10/02**	**Current Year Customer Advances**	**Total available for obligation**	**First Quarter Obligations**	**Advances Remaining to be Obligated**
Supplies	$0.4	$1.1	$ 1.5	$0.0	$1.5
Mail	$0.4	$1.3	$ 1.7	$0.4	$1.3
Copying	$0.2	$1.3	$ 1.5	$0.3	$1.2
Printing/Graphics	$0.6	$1.7	$ 2.3	$0.6	$1.7
Building Occupancy	$10.2	$27.3	$ 37.5	$14.5	$23.0
Telephones	$0.8	$3.6	$ 4.4	$0.5	$3.9
Desktop	$0.7	$0.4	$ 1.1	$0.0	$1.1
Network	$0.6	$2.6	$ 3.2	$0.6	$2.6
Procurement Services	$0.3	$0.7	$ 1.1	$0.0	$1.1
Payroll Processing	$0.2	$0.9	$ 1.1	$0.1	$1.0
Chris	$0.2	$0.9	$ 1.1	$0.2	$0.9
Corp Training Services	$0.1	$0.3	$ 0.4	$0.0	$0.4
PMCDP	$0.0	$1.3	$ 1.3	$0.0	$1.3
TOTAL	**$14.7**	**$43.5**	**$ 58.3**	**$17.2**	**$41.1**

3 The unobligated balances are made up of earned and unearned customer advances from the prior fiscal year. These funds often act as working capital during the early weeks of a new fiscal year. Unearned balances of $10.3 million represent a liability of the fund and like other unearned customer advances, are uncommitted and can be returned to the customer at their request. There are also $0.4 million of unearned advances, which are not allocated to businesses.

IV. Changes in Budget Estimates by Business Line and Customer

- The $4.0 million increase in the December 2003 estimate for FY 2004 was the result of adding new business segments to the Telephone business line ($1.7 million) and responding to Congressional report language that added the Project Managers Career Development Program ($2.5 million). Otherwise the FY 2004 billing estimates are closely aligned with prior estimates.

FY 2004 Budget Estimates for WCF Businesses

Date	Process	FY 2004 Billing Estimate ($Millions)
May 2002	FY 2004 Corporate Review	$93.7
December 2002	FY 2004 Congressional Budget	$94.3
May 2003	FY 2005 Corporate Review	$92.7
December 2003	FY 2005 Congressional Budget	$96.7

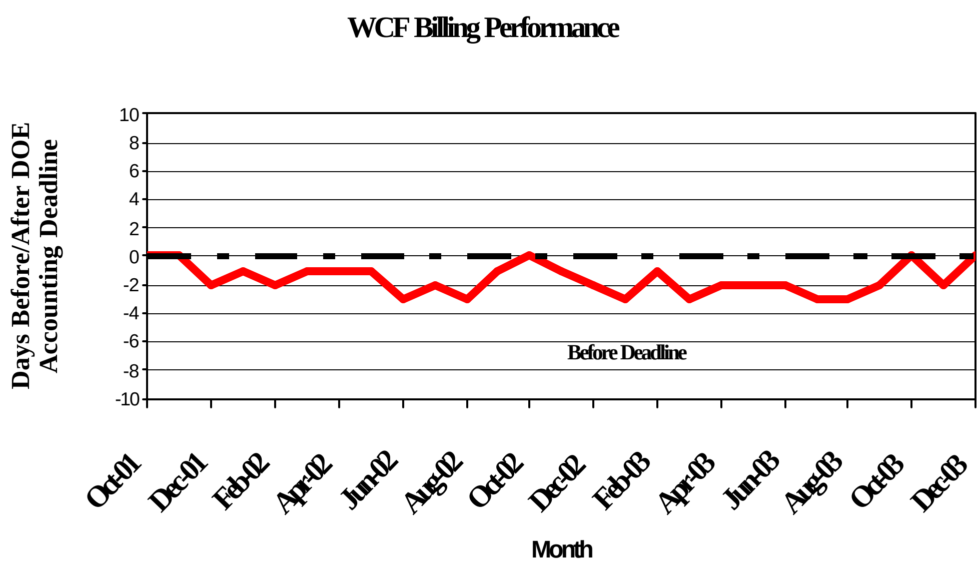
V. Anticipated Need to Change Pricing Policies or Make Substantial Changes in Operating Levels.

- The Fund Manager foresees no immediate need to change pricing policies in any businesses.

VI. Financial Management Systems Progress
Working Capital Fund Billing System

- The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to DISCAS by the fourth working day of the month. This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in DISCAS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent. Process improvements that would result in timesaving are no longer meaningful.

- The Fund Manager recently completed upgrading the billing system to automate and enhance customer reporting. It is our assessment that the system is stable and has the flexibility to accept changes as needed. We intend to solicit ideas from our customer and business working groups for the next generation of enhancements. The complete assessment can be located on our web site at www.ma.mbe.doe.gov/wcf under Billing System Assessment.



VII. Performance Review

- Business Lines report that they are accomplishing goals and performance objectives for FY 2004 consistent with annual projections in recent five-year plans. We have every expectation to meet performance standards at the end of FY 2004.