2023-FMIC-B-003
March 6, 2023

Board of Governors of the Federal Reserve System

Board of Governors of the Federal Reserve System Financial Statements as of and for the Years Ended December 31, 2022 and 2021, and Independent Auditors' Reports

Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

Office of Inspector General
Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

MEMORANDUM

DATE: March 6, 2023

TO: Board of Governors

FROM: Mark Bialek
Inspector General

SUBJECT: 2022 Audit of the Board's Financial Statements and Internal Control Over Financial Reporting

This memorandum transmits the *Independent Auditors' Report* and *Report on Compliance and Other Matters* (Independent Auditors' Reports), prepared by KPMG LLP, on the Board of Governors of the Federal Reserve System's financial statements and internal control over financial reporting. We contracted with KPMG to audit the financial statements of the Board as of and for the years ended December 31, 2022 and 2021, and to audit the Board's internal control over financial reporting as of December 31, 2022.

The contract requires the audit of the financial statements to be performed in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, which is issued by the comptroller general of the United States; and the auditing standards of the Public Company Accounting Oversight Board. The contract also requires the audit of internal control over financial reporting to be performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants and in accordance with the auditing standards of the Public Company Accounting Oversight Board.

We reviewed and monitored the work of KPMG to ensure compliance with the contract. KPMG is responsible for the accompanying Independent Auditors' Reports, both dated March 6, 2023.

We do not express an opinion on the Board's financial statements or internal control over financial reporting. In addition, we do not draw conclusions on the Independent Auditors' Reports.

cc: Ricardo A. Aguilera
Winona H. Varnon
Kofi Sapong
Patrick J. McClanahan
Michelle A. Smith
Mark E. Van Der Weide

Board of Governors of the Federal Reserve System

Financial Statements as of and for the
Years Ended December 31, 2022 and 2021,
and Independent Auditors' Reports

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

March 6, 2023

Management's Report on Financial Statements and Internal Control over Financial Reporting

To the Committee on Board Affairs:

The management of the Board of Governors of the Federal Reserve System (the Board) is responsible for the preparation and fair presentation of the balance sheets as of December 31, 2022 and 2021, and the statements of operations and cash flows for the years then ended (the financial statements). The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and, as such, include some amounts that are based on management judgments and estimates. To our knowledge, the financial statements are, in all material respects, fairly presented in conformity with generally accepted accounting principles and include all disclosures necessary for such fair presentation.

The management of the Board is responsible for establishing and maintaining effective internal control over financial reporting as it relates to the financial statements. The Board's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America. The Board's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Board's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Board's receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Board's assets that could have a material effect on its financial statements.

Even effective internal controls, no matter how well designed, have inherent limitations, including the possibility of human error, and therefore can provide only reasonable assurance with respect to the preparation of reliable financial statements. In addition, projections of effectiveness in the future are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The management of the Board assessed its internal control over financial reporting based upon the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we believe that the Board maintained effective internal control over financial reporting.

by ______________________	by ______________________
Pat McClanahan	Ricardo A. Aguilera
Chief Operating Officer	Chief Financial Officer

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Report of Independent Registered Public Accounting Firm

To the Board of Governors of the Federal Reserve System:

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying balance sheets of the Board of Governors of the Federal Reserve System (The Board) as of December 31, 2022 and 2021, the related statements of operations, and cash flows for each of the years then ended and the related notes (collectively, the financial statements). We also have audited the Board's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years then ended, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Board maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Board's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Financial Statements and *Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Board's financial statements and an opinion on the Board's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Board in accordance with the relevant requirements related to our audit.

We conducted our audits in accordance with the standards of the PCAOB, in accordance with auditing standards generally accepted in the United States of America, and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the Committee on Board Affairs and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

Evaluation of retirement and postretirement benefit obligations

As discussed in Notes 6 and 7 to the financial statements, the Board records retirement benefits under the Benefits Equalization Plan (BEP) and the Pension Enhancement Plan (PEP), which are non-qualified plans for its employees and records postretirement benefits related to its life insurance programs for active employees and retirees. The calculations of the obligations of these plans incorporate various actuarial and other assumptions, including discount rates, mortality, compensation increases, and health-care cost trends. As of December 31, 2022, the Board had $133,399,591 and $13,779,731 of retirement and postretirement benefit obligations, respectively.

We identified the evaluation of the BEP, PEP, and postretirement benefit obligations as a critical audit matter. A high degree of subjective auditor judgement was required as the assessment of the BEP, PEP, and postretirement benefit obligations involved the evaluation of complex actuarial models and the key assumptions used in those models such as (1) discount rates and (2) mortality tables; and other assumptions including (3) compensation increases and (4) health-care cost trends. Changes in the key assumptions could have a significant impact on the measurement of these benefit obligations.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the retirement and postretirement benefit obligation processes. This included certain controls related to the Board's development of the actuarial models and the key assumptions noted above. We involved actuarial professionals with specialized skills and knowledge, who assisted the engagement team in:

- assessing the appropriateness of (1) the actuarial models used by the Board when compared to the Board's plans and (2) changes to the models from the prior year
- evaluating the discount rates used in the valuation by comparing the inputs in the discount rates to publicly available data and assessing the resulting discount rates

- evaluating the assumption related to mortality tables used in the valuation by comparing the assumption to publicly available data.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2023 on our tests of the Board's compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's compliance.

KPMG LLP

We have served as the Board's auditor since 2015.

Washington, District of Columbia
March 6, 2023

Board of Governors of the Federal Reserve System
Balance Sheets

	As of December 31,	
	2022	2021
Assets		
Current assets:		
Cash	$ 211,945,105	$ 161,105,875
Accounts receivable – net	2,799,811	1,962,101
Prepaid expenses and other assets	18,121,286	15,378,492
Total current assets	232,866,202	178,446,468
Noncurrent assets:		
Property, equipment, and software – net	735,073,839	658,308,849
Operating lease right-of-use assets	166,883,200	188,283,185
Other assets	1,411,640	2,992,055
Total noncurrent assets	903,368,679	849,584,089
Total assets	$ 1,136,234,881	$ 1,028,030,557
Liabilities and cumulative results of operations		
Current liabilities:		
Accounts payable and accrued liabilities	$ 84,003,981	$ 39,191,647
Accrued payroll and related taxes	52,847,522	58,887,471
Accrued annual leave	63,134,681	60,937,747
Finance lease payable	58,221	72,752
Operating lease payable	26,398,134	24,542,231
Unearned revenues and other liabilities	9,312,155	16,596,403
Total current liabilities	235,754,694	200,228,251
Long-term liabilities:		
Finance lease payable	136,518	190,281
Retirement benefit obligation	131,510,105	236,249,081
Postretirement benefit obligation	13,055,249	18,435,201
Postemployment benefit obligation	4,321,685	5,608,409
Operating lease payable	169,273,709	189,196,470
Other liabilities	1,829,545	632,567
Total long-term liabilities	320,126,811	450,312,009
Total liabilities	555,881,505	650,540,260
Cumulative results of operations:		
Fund balance	542,400,690	478,007,478
Accumulated other comprehensive income (loss)	37,952,686	(100,517,181)
Total cumulative results of operations	580,353,376	377,490,297
Total liabilities and cumulative results of operations	$ 1,136,234,881	$ 1,028,030,557

See notes to financial statements.

Board of Governors of the Federal Reserve System
Statements of Operations

	For the years ended December 31,	
	2022	2021
Board operating revenues:		
Assessments levied on Federal Reserve Banks for Board operating expenses and capital expenditures	$ 1,015,000,000	$ 970,000,000
Assessments levied on Federal Reserve Banks for currency-related operating expenses and capital expenditures	56,078,349	56,063,364
Other revenues	16,623,654	17,137,417
Total operating revenues	1,087,702,003	1,043,200,781
Board operating expenses:		
Salaries and contractual staffing fees	583,366,751	560,567,095
Retirement, insurance, and benefits	122,562,353	122,441,688
Other components of net periodic pension and postretirement costs	15,427,415	20,944,750
Contractual and professional fees	56,574,436	54,141,024
Depreciation, amortization, and net gains or losses on disposals	58,950,492	50,768,744
Travel	5,165,994	1,024,245
Non-capital furniture, equipment, postage, and supplies	37,931,572	37,417,071
Data, news, and research	31,007,236	18,369,467
Utilities	8,661,863	8,914,216
Software	31,506,040	27,934,390
Rentals of space and equipment	37,665,419	37,839,396
Repairs and maintenance	10,632,571	8,522,159
Other expenses	23,856,649	22,232,552
Total operating expenses	1,023,308,791	971,116,797
Net income	64,393,212	72,083,984
Currency costs:		
Assessments levied or to be levied on Federal Reserve Banks for currency costs	997,481,632	978,951,499
Expenses for costs related to currency	997,481,632	978,951,499
Currency assessments over (under) expenses	-	-
Bureau of Consumer Financial Protection (Bureau):		
Assessments levied on the Federal Reserve Banks for the Bureau	722,200,000	627,500,000
Transfers to the Bureau	722,200,000	627,500,000
Bureau assessments over (under) transfers	-	-
Total net income	$ 64,393,212	$ 72,083,984

See notes to financial statements.

Board of Governors of the Federal Reserve System
Statements of Operations—*continued*

	For the years ended December 31,	
	2022	2021
Other comprehensive income (loss):		
Pension and other postretirement benefit plans:		
Amortization of prior service (credit) cost	$ (9,599)	$ (9,599)
Amortization of net actuarial (gain) loss	6,722,556	11,468,893
Net actuarial gain (loss) arising during the year	131,756,910	18,127,664
Total other comprehensive income (loss)	138,469,867	29,586,958
Comprehensive income (loss)	202,863,079	101,670,942
Cumulative results of operations – beginning of year	377,490,297	275,819,355
Cumulative results of operations – end of year	$ 580,353,376	$ 377,490,297

See notes to financial statements.

Board of Governors of the Federal Reserve System
Statements of Cash Flows

	For the years ended December 31,	
	2022	2021
Cash flows from operating activities:		
Net income	$ 64,393,212	$ 72,083,984
Adjustments to reconcile results of operations to net cash from (used in) operating activities:		
Depreciation and amortization	57,965,397	50,116,371
Net loss (gain) on disposal of property and equipment	985,095	652,373
Amortization of hosting arrangements implementation costs	101,552	-
Other additional noncash adjustments to results of operations	84,957	(55,997)
(Increase) decrease in assets:		
Accounts receivable	(837,710)	(72,162)
Prepaid expenses	(2,742,794)	(3,573,924)
Other assets	1,580,415	(727,691)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	8,625,823	(60,271,130)
Accrued payroll and related taxes	(6,039,949)	4,699,774
Accrued annual leave	2,196,934	1,912,640
Unearned revenues and other liabilities	441,495	733,867
Operating lease payable (current portion)	1,855,903	(12,375,988)
Net retirement benefit obligation	27,692,741	35,878,992
Net postretirement benefit obligation	658,198	781,055
Net postemployment benefit obligation	(1,286,724)	(558,017)
Operating lease payable (non-current portion)	(25,043,881)	(22,298,825)
Other long-term liabilities	135,905	374,215
Net cash from (used in) operating activities	130,766,569	67,299,537
Cash flows used in investing activities:		
Capital expenditures	(79,859,045)	(150,526,618)
Net cash from (used in) investing activities	(79,859,045)	(150,526,618)
Cash flows used in financing activities:		
Finance lease payments	(68,294)	(41,772)
Net cash from (used in) financing activities	(68,294)	(41,772)
Net increase (decrease) in cash	50,839,230	(83,268,853)
Cash balance – beginning of year	161,105,875	244,374,728
Cash balance – end of year	$ 211,945,105	$ 161,105,875

See notes to financial statements.

(1) Structure

The Federal Reserve System (the System) was established by Congress in 1913 and consists of the Board of Governors (the Board), the Federal Open Market Committee (FOMC), the twelve regional Federal Reserve Banks (Reserve Banks), the Federal Advisory Council, and the private commercial banks that are members of the System. The Board, unlike the Reserve Banks, was established as a federal government agency and is located in Washington, D.C. The Federal Reserve System uses advisory and working committees in carrying out its varied responsibilities. Five of these committees advise the Board: the Community Advisory Council, the Community Depository Institutions Advisory Council, the Federal Advisory Council, the Insurance Policy Advisory Committee, and the Model Validation Council. The Federal Advisory Council and the Insurance Policy Advisory Committee were established by law. The Community Advisory Council, the Community Depository Institutions Advisory Council, and the Model Validation Council were created by the Board.

The Board is required by the Federal Reserve Act (the Act) to report its operations to the Speaker of the House of Representatives. The Act also requires the Board, each year, to order a financial audit of each Reserve Bank and to publish each week a statement of the financial condition of each Reserve Bank and a combined statement for all of the Reserve Banks. Accordingly, the Board believes that the best financial disclosure consistent with law is achieved by issuing separate financial statements for the Board and for the Reserve Banks. Therefore, the accompanying financial statements include only the results of operations and activities of the Board. Combined financial statements for the Reserve Banks are included in the Board’s annual report to the Speaker of the House of Representatives and weekly statements are available on the Board’s public website.

The Dodd-Frank Wall Street Reform and Consumer Financial Protection Act of 2010 (Dodd-Frank Act) established the Bureau of Consumer Financial Protection (Bureau) as an independent bureau within the System and designated the Board’s Office of Inspector General (OIG) as the OIG for the Bureau. As required by the Dodd-Frank Act, the Board transferred certain responsibilities to the Bureau. The Dodd-Frank Act requires the Board to fund the Bureau from the combined earnings of the System. Section 1017 of the Dodd-Frank Act provides that the financial statements of the Bureau are not to be consolidated with those of the Board or the System. Accordingly, the Board’s financial statements do not include financial data of the Bureau other than the funding that the Board is required by the Dodd-Frank Act to provide.

(2) Operations and Services

The Board’s responsibilities require thorough analysis of domestic and international financial and economic developments. The Board carries out those responsibilities in conjunction with the Reserve Banks and the FOMC. The Board also exercises general oversight of the operations of the Reserve Banks and exercises broad responsibility in the nation’s payments system. Policy regarding open market operations is established by the FOMC. However, the Board has sole authority over changes in reserve requirements, and it must approve any change in the discount rate initiated by a Reserve Bank. The Board also plays a major role in the supervision and regulation of the U.S.

financial system. It has supervisory responsibilities for state-chartered banks that are members of the System, bank holding companies, savings and loan holding companies, foreign activities of member banks, U.S. activities of foreign banks, and any nonbank financial companies the Financial Stability Oversight Council (FSOC) has determined should be supervised by the Board. Although the Dodd-Frank Act gave the Bureau general rule-writing responsibility for federal consumer financial laws, the Board retains rule-writing responsibility under the Community Reinvestment Act and other specific statutory provisions. The Board also enforces the requirements of federal consumer financial laws for state member banks with assets of $10 billion or less. In addition, the Board enforces certain other consumer laws at all state member banks, regardless of size.

Section 11 of the Federal Reserve Act (as amended) directs the Board to collect assessments, fees, or other charges equal to the total expenses the Board estimates are necessary or appropriate to carry out the supervisory and regulatory responsibilities of the Board for certain bank holding companies and savings and loan holding companies and nonbank financial companies designated for Board supervision by the FSOC. As an agent, the Board does not recognize the supervision and regulation assessments as revenue nor does the Board use the collections to fund Board expenses; the funds are transferred to the United States Treasury (Treasury).

Section 7(a)(3)(A) of the Federal Reserve Act requires that any amount of surplus funds of the Reserve Banks that exceed or would exceed $6.825 billion be transferred to the Treasury via the Board. On January 1, 2021 the National Defense Authorization Act (Defense Act) for Fiscal Year 2021 was enacted and amended section 7 of the Federal Reserve Act related to Reserve Bank surplus. The Defense Act reduces the statutory limit on aggregate Reserve Bank surplus from $6.825 billion to $6.785 billion. To bring the aggregate surplus within the new limit the Reserve Banks made a lump-sum payment to Treasury in the amount of $40 million in February 2021. As an intermediary transfer agent, the Board does not recognize the remittances as revenue nor does the Board use the remittances to fund Board expenses. Additional information and disclosures regarding these remittances to the Treasury can be found in the combined financial statements of the Federal Reserve Banks.

(3) Significant Accounting Policies

Basis of Accounting — The Board prepares its financial statements in accordance with accounting principles generally accepted in the United States (GAAP) on an accrual basis of accounting.

Accounts Receivable and Allowance for Doubtful Accounts — Accounts receivable are recorded when amounts are billed but not yet received and are shown net of the allowance for doubtful accounts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts is adjusted monthly, based upon a review of outstanding receivables.

Prepaid Expenses — The Board recognizes expenses as prepaid for costs paid in advance that will be expensed with the passage of time or upon the occurrence of a triggering event in future periods.

Property, Equipment, and Software — The Board's property, equipment, and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the assets, which range from three to ten years for furniture and equipment, ten to fifty years for building equipment and structures, and two to five years for software. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation or amortization are removed and any gain or loss is recognized.

Construction in process includes costs incurred for short-term and long-term projects that have not been placed into service; the majority of the balance represents long-term building enhancement projects.

Costs incurred to acquire software are capitalized based on the purchase price. Costs incurred during the application development stage to develop internal-use software, including costs to implement hosted arrangements that are service contracts, are capitalized based on the cost of direct services and materials associated with designing, coding, installing, and testing the software. Capitalized software costs and implementation costs incurred in hosting arrangements are amortized on a straight-line basis over the estimated useful lives of the software applications or contract term, which generally range from two to ten years. Maintenance costs and minor replacements related to software are charged to operating expense in the year incurred.

Capitalized assets, including software, buildings, leasehold improvements, furniture, and equipment, are impaired and an adjustment is recorded when events or changes in circumstances indicate that the carrying amount of assets or asset groups is not recoverable and significantly exceeds the assets' fair value.

Benefit Obligations — The Board records annual amounts relating to its non-qualified retirement, postretirement, and postemployment plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, compensation increases, and health-care cost trends. The Board reviews the assumptions on an annual basis and makes modifications to the assumptions based on a variety of factors. The effect of the modifications is recorded in accumulated other comprehensive income and amortized to net periodic cost over future periods, which is presented in the accumulated other comprehensive income (loss) footnote. The Board incorporates the required pension and postretirement plan disclosures per Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 715, which includes the modified the disclosure requirements for pension and postretirement plans per Accounting Standards Update (ASU) 2018-14, *Retirement Benefits-Defined Benefits Plans-General* (Subtopic 715-20).

Assessments to Fund the Board — The Federal Reserve Act authorizes the Board to levy an assessment on the Reserve Banks to fund its operations. The Board allocates the assessment to each Reserve Bank based on the Reserve Bank's capital and surplus balances. The Board recognizes the assessment in the period in which it is assessed.

Assessments for Currency Costs — The Board issues the nation's currency (in the form of Federal Reserve notes), and the Reserve Banks distribute currency through depository institutions. The Board incurs costs and assesses the Reserve Banks for these costs related to producing, issuing, and retiring Federal Reserve notes as well as providing other services. The assessment is allocated based on each Reserve Bank's share of the number of notes comprising the System's net liability for Federal Reserve notes on December 31 of the prior year. The Board recognizes the assessment in the year in which the associated costs are incurred.

Assessments to Fund the Bureau — The Board assesses the Reserve Banks for the funds transferred to the Bureau based on each Reserve Bank's capital and surplus balances. The Board recognizes the assessment in the period in which it is assessed. These assessments and transfers are reported separately from the Board's operating activities in the Board's Statements of Operations.

Art Collections — The Board has collections of works of art, historical treasures, and similar assets. These collections are maintained and held for public exhibition in furtherance of public service.

Proceeds from any sales of collections are used to acquire other items for collections. The cost of collections purchased by the Board is charged to expense in the year purchased and donated collection items are not recorded. The value of the Board's collections has not been determined.

Civil Money Penalties — The Board has enforcement authority over the financial institutions it supervises and their affiliated parties, including the authority to assess civil money penalties. As directed by statute, all civil money penalties that are assessed and collected by the Board are remitted to either the Treasury or the Federal Emergency Management Agency (FEMA). As an agent, the Board does not recognize civil money penalties as revenue nor does the Board use civil money penalties to fund Board expenses. Civil money penalties whose collection is contingent upon fulfillment of certain conditions in the enforcement action are not recorded in the Board's financial records.

Commitments and Contingencies — Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Estimates — The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include useful lives of property, equipment, and software; allowance for doubtful accounts receivable; accounts payable; benefit obligations; and commitments and contingencies.

Leases — Leases are identified in accordance with FASB, ASC 842 - *Leases*. For leases with terms greater than 12 months, the Board records the related right-of-use (ROU) assets and lease liabilities at the present value of lease payments over the lease terms. For leases with an initial term of 12 months or less (with purchase options or extension options that are not reasonably certain to be exercised), the Board does not record them on the balance sheet, but instead recognizes lease expense on a straight-line basis over the terms of the leases. The Board's discount rate is based on a risk-free Treasury borrowing rate at lease commencement using a period comparable to the lease term.

Reclassifications – The presentation within the Statement of Operations of $32,972,328 related to contractor costs for the year ended December 31, 2021 has been revised to conform to the current year presentation from Contractual and professional fees to Salaries and contractual staffing fees. In addition, the presentation within the Statement of Operations of $1,357,628 related to instructor fees for the year ended December 31, 2021 has been revised to conform to the current year presentation from Other expenses to Contractual and professional fees.

Tax Exempt Status — The Board, as a federal government entity, is not subject to state or local income taxes. Federal income tax on corporations does not apply to the Board.

(4) Property, Equipment, and Software

The following is a summary of the components of the Board’s property, equipment, and software, at cost, less accumulated depreciation and amortization as of December 31, 2022 and 2021:

	As of December 31, 2022	As of December 31, 2021
Land	$ 49,464,201	$ 49,464,201
Buildings and improvements	686,341,053	695,099,006
Construction in process	132,535,471	80,254,144
Furniture and equipment	121,454,456	118,306,481
Software in use	83,524,044	71,392,981
Software in process	4,560,488	9,266,586
Vehicles	2,965,413	2,754,771
Lease – office equipment	366,333	366,333
Hosting arrangements implementation costs	17,003,132	-
Subtotal	1,098,214,591	1,026,904,503
Less accumulated depreciation and amortization excluding hosting amortization	(363,039,200)	(368,595,654)
Less accumulated amortization hosting arrangements implementation costs	(101,552)	-
Property, equipment, and software – net	$ 735,073,839	$ 658,308,849

Construction in process include costs incurred in the current or prior years for long-term projects and building enhancements. The Board entered into hosting arrangements for its Enterprise Resource Planning (ERP) system and Customer Relationship Management (CRM) software. In 2022, theses arrangements included implementation costs that meet the criteria to be capitalized. The Board recorded accrued liabilities for noncash capital assets of goods received or services performed, which resulted in a net change of $36,187,000 and ($18,358,000) for the years ended December 31, 2022 and 2021, respectively. The Board recorded retainage liabilities for noncash capital assets of goods received or services performed, which resulted in a net change of $6,665,000 and $15,000 for the years ended December 31, 2022 and 2021, respectively.

(5) Leases

The Board has operating and finance leases for copiers, data communication equipment, offices, training center, data center, and warehouse space. The leases have remaining terms of 1 to 11 years, some of which include options to extend the term for up to 10 years. However, management determined that it was not reasonably certain that the Board would exercise its options to renew the leases, and therefore the renewal options were not included in the lease term or the resulting ROU asset and lease liability balances. The Board's current lease arrangements expire from 2023 through 2033.

In 2022, commencement of new operating leases for copiers, data communication equipment, and additional office space resulted in the recording of ROU assets and corresponding lease liabilities of $2,447,845 and $2,495,962, respectively, as of December 31, 2022. The Board recorded operating leases for new copiers, data communication equipment, and additional office space and renewed office space for noncash lease liabilities, which resulted in a net change of $5,121,000 for the year ended December 31, 2022.

The Board's lease population does not include any residual value guarantees, and therefore none were considered in the calculation of the ROU asset and lease liability balances. The Board has leases that contain variable payments, most commonly in the form of common area maintenance charges, which are based on actual costs incurred. These variable payments were excluded from the calculation of the ROU asset and lease liability balances since they are not fixed or in-substance fixed payments.

Lease cost. The Board's lease cost was comprised of the following components for the years ended December 31, 2022 and 2021:

		2022	2021
Operating lease cost	$	32,324,228	$31,408,864
Short-term lease cost		10,550	322,346
Variable lease cost		5,320,092	6,108,187
Amortization of finance lease assets		70,057	46,263
Interest on finance lease liabilities		2,073	1,652
Sublease income		(428,609)	(425,988)
Total lease cost	**$**	**37,298,391**	**$37,461,324**

Lease commitments. The Board's future minimum lease payments required under operating and finance leases as of December 31, 2022 were as follows:

		Operating Leases		**Finance Leases**
2023	$	28,042,767	$	59,840
2024		30,645,922		55,237
2025		29,766,185		55,237
2026		26,324,721		27,619
2027		24,792,432		-
Thereafter		61,887,739		-
Total lease payments		201,459,766		197,933
Less imputed interest		5,787,923		3,194
Present value of lease payments		195,671,843		194,739
Less current maturities of lease obligations		26,398,134		58,221
Long-term lease obligations	$	169,273,709	$	136,518

In order to calculate the ROU asset and lease liability for a lease, Topic 842 required that a lessee apply a discount rate equal to the rate implicit in the lease whenever that rate was readily determinable. The Board's lease agreements did not provide a readily determinable implicit rate, nor was the rate available to the Board from its lessors. Therefore, as permitted under Topic 842 for non-public business entities in such situations, management estimated the Board's risk-free rate (U.S. Treasury rate), as determined using a period comparable with that of the lease term. The risk-free rate, which is based on information available at either the implementation date of Topic 842 or at lease commencement for leases entered into subsequently, was used to discount the remaining lease payments to present value.

Additional lease information. Additional information related to the Board's leases as of December 31, 2022 and 2021 were as follows:

	2022	2021
Weighted Average Remaining Lease Term		
Operating leases	7.01 years	7.81 years
Finance leases	3.50 years	4.28 years
Weighted Average Discount Rate		
Operating leases	0.91%	0.95%
Finance leases	0.89%	0.95%

Supplemental cash flow information. Supplemental cash flow information related to the Board's leases during the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	$ 34,247,177	$ 34,951,846
Operating cash flows from finance leases	$ 2,112	$ 1,468
Financing cash flows from finance leases	$ 68,294	$ 41,772

(6) Retirement Benefits

Substantially all of the Board's employees participate in the Retirement Plan for Employees of the Federal Reserve System (the System Plan). The System Plan provides retirement benefits to employees of the Board, the Reserve Banks, the Office of Employee Benefits of the Federal Reserve System (OEB), and certain employees of the Bureau. The Federal Reserve Bank of New York (FRBNY), on behalf of the System, recognizes the net assets and costs associated with the System Plan in its financial statements; costs associated with the System Plan are not redistributed to the Board.

Employees of the Board who became employed prior to 1984 are covered by a contributory defined benefits program under the System Plan. Employees of the Board who became employed after 1983 are covered by a non-contributory defined benefits program under the System Plan. FRBNY, on behalf of the System, funded $140,000,000 and $570,000,000 during each of the years ended December 31, 2022 and 2021, respectively. The Board was not assessed a contribution for 2022 or 2021.

Annually, the Society of Actuaries Retirement Plan Experience Committee releases updated mortality tables and mortality projection scales. This year, the System reviewed the mortality tables released in October 2022 relative to the System's actual retiree mortality experience, as part of an annual review of the updated mortality tables and scales. As a result, the System retained for year-end 2022 the modified MP-2019 projections scales and Pri-2012 mortality tables with updated adjustments to reflect the recent mortality experience of System retirees. The adjusted tables and scales included the Board's experience and the Board concurred with the adoption of these changes.

Benefits Equalization Plan — Board employees covered under the System Plan are also covered under a Benefits Equalization Plan (BEP). Benefits paid under the BEP are limited to those benefits that cannot be paid from the System Plan due to limitations imposed by the Internal Revenue Code.

During 2022, the BEP projected benefit obligation (PBO) decreased as a result of several factors. The primary driver of the decrease in the liability resulted from a significant increase in the discount rate to 5.78% from 3.33%. The update in Internal Revenue Code compensation and benefit limits for 2023 from expected to actual, change in assumed future growth rate, and the census data update due to experience differing from expected resulted in further decreases in the liability. This was partially offset by the actual Cost Of Living Adjustment (COLA) increase from 2022 to 2023 greater than assumed.

Activity for the BEP as of December 31, 2022 and 2021, is summarized in the following tables:

	2022	2021
Change in projected benefit obligation:		
Benefit obligation – beginning of year	$ 164,297,741	$ 168,706,601
Service cost	12,678,673	14,052,935
Interest cost	5,800,573	6,022,557
Actuarial (gain) loss	(102,355,393)	(24,092,949)
Gross benefits paid	(413,887)	(391,403)
Benefit obligation – end of year	$ 80,007,707	$ 164,297,741
Accumulated benefit obligation – end of year	$ 26,559,211	$ 36,576,388
Weighted-average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.78%	3.33%
Rate of compensation increase	4.50%	4.25%
Change in plan assets:		
Fair value of plan assets – beginning of year	$ -	$ -
Employer contributions	413,887	391,403
Gross benefits paid	(413,887)	(391,403)
Fair value of plan assets – end of year	$ -	$ -
Funded status:		
Reconciliation of funded status – end of year:		
Fair value of plan assets	$ -	$ -
Benefit obligation (current)	553,796	492,576
Benefit obligation (noncurrent)	79,453,911	163,805,165
Funded status	(80,007,707)	(164,297,741)
Amount recognized – end of year	$ (80,007,707)	$ (164,297,741)
Amounts recognized in the balance sheets consist of:		
Asset	$ -	$ -
Liability – current	(553,796)	(492,576)
Liability – noncurrent	(79,453,911)	(163,805,165)
Net amount recognized	$ (80,007,707)	$ (164,297,741)
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial (gain) loss	$ (39,389,864)	$ 66,876,663
Net amount recognized	$ (39,389,864)	$ 66,876,663

Expected cash flows:

Expected employer contributions – 2023	$ 553,796
Expected benefit payments:*	
2023	$ 553,796
2024	$ 675,039
2025	$ 801,651
2026	$ 921,246
2027	$ 1,045,857
2028–2032	$ 8,637,739

* Expected benefit payments to be made by the Board.

	2022	2021
Components of net periodic benefit cost:		
Service cost	$ 12,678,673	$ 14,052,935
Interest cost	$ 5,800,573	$ 6,022,557
Expected return on plan assets	-	-
Amortization:		
Actuarial (gain) loss	$ 3,911,134	$ 6,618,214
Net periodic benefit cost	$ 22,390,380	$ 26,693,706
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	3.33%	3.33%
Rate of compensation increase	4.25%	4.25%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Current year actuarial (gain) loss	$ (102,355,393)	$ (24,092,949)
Amortization of actuarial gain (loss)	(3,911,134)	(6,618,214)
Total recognized in other comprehensive (income) loss	$ (106,266,527)	$ (30,711,163)
Total recognized in net periodic benefit cost and other comprehensive income	$ (83,876,147)	$ (4,017,457)

Pension Enhancement Plan — The Board also provides another non-qualified plan for officers of the Board. The retirement benefits covered under the Pension Enhancement Plan (PEP) increase the pension benefit calculation from 1.8 percent above the Social Security integration level to 2.0 percent.

During 2022, the PEP PBO decreased as a result of several factors. The primary driver of the decrease in the liability resulted from a significant increase in the discount rate to 5.50% from 3.03%. The Social Security Wage Base Growth increase from 2022 to 2023 greater than assumed and change in assumed future growth rate resulted in further decreases in the liability. This was partially offset by the census data update due to experience differing from expected and actual COLA increase from 2022 to 2023 greater than assumed.

Activity for the PEP as of December 31, 2022 and 2021, is summarized in the following tables:

	2022	2021
Change in projected benefit obligation:		
Benefit obligation – beginning of year	$ 73,260,117	$ 60,915,255
Service cost	2,334,110	3,520,414
Interest cost	2,354,913	2,937,738
Actuarial (gain) loss	(23,661,594)	6,834,381
Gross benefits paid	(1,132,386)	(947,671)
Benefit obligation – end of year	$ 53,155,160	$ 73,260,117
Accumulated benefit obligation – end of year	$ 45,356,792	$ 60,871,340
Weighted-average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.50%	3.03%
Rate of compensation increase	4.50%	4.25%
Change in plan assets:		
Fair value of plan assets – beginning of year	$ -	$ -
Employer contributions	1,132,386	947,671
Gross benefits paid	(1,132,386)	(947,671)
Fair value of plan assets – end of year	$ -	$ -
Funded status:		
Reconciliation of funded status – end of year:		
Fair value of plan assets	$ -	$ -
Benefit obligation – current	1,335,690	1,082,325
Benefit obligation – noncurrent	51,819,470	72,177,792
Funded status	(53,155,160)	(73,260,117)
Amount recognized – end of year	$ (53,155,160)	$ (73,260,117)
Amounts recognized in the balance sheets consist of:		
Asset	$ -	$ -
Liability – current	(1,335,690)	(1,082,325)
Liability – noncurrent	(51,819,470)	(72,177,792)
Net amount recognized	$ (53,155,160)	$ (73,260,117)

		2022	2021
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial loss		$ 3,697,974	$ 29,863,164
Net amount recognized		$ 3,697,974	$ 29,863,164
Expected cash flows:			
Expected employer contributions – 2023	$ 1,335,690		
Expected benefit payments:*			
2023	$ 1,335,690		
2024	$ 1,510,829		
2025	$ 1,690,770		
2026	$ 1,883,617		
2027	$ 2,102,184		
2028–2032	$ 14,246,998		
* Expected benefit payments to be made by the Board.			
Components of net periodic benefit cost:			
Service cost		$ 2,334,110	$ 3,520,414
Interest cost		2,354,913	2,937,738
Expected return on plan assets		-	-
Amortization:			
Actuarial (gain) loss		$ 2,503,596	$ 4,362,685
Net periodic benefit cost		$ 7,192,619	$ 10,820,837
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate		3.03%	2.82%
Rate of compensation increase		4.25%	4.25%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss		$ (23,661,594)	$ 6,834,381
Amortization of actuarial gain (loss)		(2,503,596)	(4,362,685)
Total recognized in other comprehensive (income) loss		$ (26,165,190)	$ 2,471,696
Total recognized in net periodic benefit cost and other comprehensive income		$ (18,972,571)	$ 13,292,533

The total accumulated retirement benefit obligation includes a liability for a supplemental retirement agreement and a benefits equalization plan under the System's Thrift Plan. The total obligation as of December 31, 2022 and 2021, is summarized in the following table:

	2022	2021
Retirement benefit obligation:		
Benefit obligation – BEP	$ 80,007,707	$ 164,297,741
Benefit obligation – PEP	53,155,160	73,260,117
Additional benefit obligations	236,724	266,124
Total accumulated retirement benefit obligation	$ 133,399,591	$ 237,823,982

A relatively small number of Board employees may participate in the Civil Service Retirement System or the Federal Employees' Retirement System instead of the System Plan. These defined benefit plans are administered by the U.S. Office of Personnel Management, which determines the required employer contribution levels. The Board's contributions to these plans totaled $1,857,000 and $1,668,000 in 2022 and 2021, respectively. The Board has no liability for future payments to retirees under these programs and is not accountable for the assets of the plans. The same employees may also participate in the Federal Thrift Savings Plan. The Board's contributions to members' accounts were $105,000 and $91,000 in 2022 and 2021, respectively.

Employees of the Board may also participate in the System's Thrift Plan or Roth 401(k). The Board's contributions to members' accounts were $35,093,000 and $33,874,000 in 2022 and 2021, respectively.

(7) Postretirement Benefits

The Board provides certain life insurance programs for its active employees and retirees. Activity as of December 31, 2022 and 2021, is summarized in the following tables:

	2022	2021
Change in benefit obligation:		
Benefit obligation – beginning of year	$ 19,121,980	$ 19,642,733
Service cost	139,937	164,024
Interest cost	558,972	525,161
Actuarial (gain) loss	(5,739,923)	(869,095)
Gross benefits paid	(301,235)	(340,843)
Benefit obligation – end of year	$ 13,779,731	$ 19,121,980
Weighted-average assumptions used to determine benefit obligation as of December 31 – discount rate	5.42%	2.94%
Change in plan assets:		
Fair value of plan assets – beginning of year	$ -	$ -
Employer contributions	301,235	340,843
Gross benefits paid	(301,235)	(340,843)
Fair value of plan assets – end of year	$ -	$ -
Funded status:		
Reconciliation of funded status – end of year:		
Fair value of plan assets	$ -	$ -
Benefit obligation – current	724,482	686,779
Benefit obligation – noncurrent	13,055,249	18,435,201
Funded status	(13,779,731)	(19,121,980)
Amount recognized – end of year	$ (13,779,731)	$ (19,121,980)
Amounts recognized in the balance sheets consist of:		
Asset	$ -	$ -
Liability – current	(724,482)	(686,779)
Liability – noncurrent	(13,055,249)	(18,435,201)
Net amount recognized	$ (13,779,731)	$ (19,121,980)

		2022	2021
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial (gain) loss		$ (2,201,071)	$ 3,846,678
Prior service credit		(59,722)	(69,321)
Net amount recognized		$ (2,260,793)	$ 3,777,357
Expected cash flows:			
Expected employer contributions – 2023	$ 724,482		
Expected benefit payments:*			
2023	$ 724,482		
2024	$ 749,077		
2025	$ 776,063		
2026	$ 808,818		
2027	$ 829,934		
2028–2032	$ 4,538,270		
* Expected benefit payments to be made by the Board.			
Components of net periodic benefit cost:			
Service cost		$ 139,937	$ 164,024
Interest cost		558,972	525,161
Expected return on plan assets		-	-
Amortization:			
Actuarial (gain) loss		307,826	487,994
Prior service credit		(9,599)	(9,599)
Net periodic benefit cost		$ 997,136	$ 1,167,580
Weighted-average assumptions used to determine net periodic benefit cost – discount rate		2.94%	2.68%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss		$ (5,739,923)	$ (869,095)
Amortization of prior service credit		9,599	9,599
Amortization of actuarial gain (loss)		(307,826)	(487,994)
Total recognized in other comprehensive (income) loss		$ (6,038,150)	$ (1,347,490)
Total recognized in net periodic benefit cost and other comprehensive income		$ (5,041,014)	$ (179,910)

(8) Postemployment Benefits

The Board provides certain postemployment benefits to eligible former or inactive employees and their dependents. Postemployment costs were actuarially determined using a December 31 measurement date and discount rates of 4.07 percent and 1.72 percent as of December 31, 2022 and 2021, respectively. The net periodic postemployment benefit cost (credit) recognized by the Board as of December 31, 2022 and 2021, was ($782,000) and ($98,000), respectively.

(9) Accumulated Other Comprehensive Income (Loss)

A reconciliation of beginning and ending balances of accumulated other comprehensive income (loss) for the years ended December 31, 2022 and 2021, is as follows:

	Amount Related to Defined Benefit Retirement Plans	Amount Related to Postretirement Benefits Other Than Pensions	Total Accumulated Other Comprehensive Income (Loss)
Balance – January 1, 2021	$ (124,979,295)	$ (5,124,844)	$ (130,104,139)
Change in accumulated other comprehensive income (loss):			
Net actuarial gain (loss) arising during the year	17,258,568	869,095	18,127,663
Other comprehensive income before reclassifications	17,258,568	869,095	18,127,663
Amortization of prior service (credit) costs[a][b]		(9,599)	(9,599)
Amortization of net actuarial (gain) loss[a][b]	10,980,900	487,994	11,468,894
Amounts reclassified from accumulated other comprehensive income	10,980,900	478,395	11,459,295
Change in accumulated other comprehensive income (loss)	28,239,468	1,347,490	29,586,958
Balance – December 31, 2021	(96,739,827)	(3,777,354)	(100,517,181)
Change in accumulated other comprehensive income (loss):			
Net actuarial gain (loss) arising during the year[a]	126,016,987	5,739,923	131,756,910
Other comprehensive income before reclassifications	126,016,987	5,739,923	131,756,910
Amortization of prior service (credit) costs[a][b]	-	(9,599)	(9,599)
Amortization of net actuarial (gain) loss[a][b]	6,414,730	307,826	6,722,556
Amounts reclassified from accumulated other comprehensive income	6,414,730	298,227	6,712,957
Change in accumulated other comprehensive income (loss)	132,431,717	6,038,150	138,469,867
Balance – December 31, 2022	$ 35,691,890	$ 2,260,796	$ 37,952,686

[a] These components of accumulated other comprehensive income are included in the computation of net periodic pension cost (see Notes 6 and 7 for additional details).
[b] These components of accumulated other comprehensive income are reflected in the “Retirement, insurance, and benefits” line on the Statements of Operations.

(10) Selected Transactions with the Reserve Banks

The Board performs certain functions for the Reserve Banks in conjunction with its responsibilities for the System, and the Reserve Banks provide certain administrative functions for the Board. The Board assesses the Reserve Banks for its operations, to include expenses related to its currency responsibilities, as well as for the funding the Board is required to provide to the Bureau. Selected activity related to the Board and Reserve Banks is summarized in the following table:

	2022	2021
For the years ended December 31:		
Assessments levied or to be levied on Reserve Banks for:		
Currency expenses	$ 1,053,559,981	$ 1,035,014,863
Board operations	1,015,000,000	970,000,000
Transfers of funds to the Bureau	722,200,000	627,500,000
Total assessments levied or to be levied on Reserve Banks	$ 2,790,759,981	$ 2,632,514,863

The OEB administers certain System benefit plans on behalf of the Board and the Reserve Banks, and costs associated with the OEB's activities are assessed to the Board and Reserve Banks. The Board was assessed $2,902,000 and $3,335,000 for the years ended December 31, 2022 and 2021, respectively. Activity related to the Board and the OEB is summarized in the following table:

	2022	2021
As of December 31:		
Accounts payable due to the Office of Employee Benefits	$ 727,347	$ 737,395

(11) Federal Financial Institutions Examination Council

The Board is one of the five member agencies of the Federal Financial Institutions Examination Council (the Council), and performs certain administrative functions for the Council. The five agencies that are represented on the Council are the Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Bureau.

The Board's financial statements do not include financial data for the Council. The Council expenses charged to the Board were $3,567,000 and $2,501,000 for the years ended December 31, 2022 and 2021, respectively for the assessment of operating, examiner education, and other Council program expenses. The Board expenses charged to the Council were $2,159,000 and $2,030,000 for the years ended December 31, 2022 and 2021, respectively for the reimbursement of data processing and other administrative charges performed on behalf of the Council.

(12) The Bureau of Consumer Financial Protection

Beginning July 2011, section 1017 of the Dodd-Frank Act requires the Board to fund the Bureau from the combined earnings of the System, in an amount determined by the Director of the Bureau to be reasonably necessary to carry out the authorities of the Bureau under federal consumer financial law, taking into account such other sums made available to the Bureau from the preceding year (or quarter of such year). The Dodd-Frank Act limits the amount to be transferred each fiscal year to a fixed percentage of the System's total operating expenses. The Bureau transfers funds to the Board to fund their share of OIG operations. The Board recognized revenue of $12,800,000 and $13,700,000 related to OIG funding in each of the 2022 and 2021 calendar years .

(13) Currency Costs

The Bureau of Engraving and Printing is the sole supplier for currency printing and also provides currency retirement, new Bureau of Engraving and Printing facility, and meaningful access services. The Board contracts for other services associated with currency, such as shipping, education, and quality assurance.

The currency costs incurred by the Board for the years ended December 31, 2022 and 2021, are reflected in the following table:

	2022	2021
Costs related to Bureau of Engraving and Printing:		
Printing	$ 918,735,138	$ 889,393,503
Retirement of Federal Reserve Currency	4,266,474	3,937,614
Meaningful access program	803,459	729,816
New facility	73,676,561	84,890,566
Subtotal related to Bureau of Engraving and Printing	$ 997,481,632	$ 978,951,499
Other currency costs:		
Shipping	$ 26,509,702	$ 29,088,808
Research and development	20,500,789	18,494,845
Quality assurance services	3,933,383	3,076,308
Education services	5,134,475	5,403,403
Subtotal of other currency costs	$ 56,078,349	$ 56,063,364
Total currency costs	$ 1,053,559,981	$ 1,035,014,863

(14) Commitments and Contingencies

Commitments — The Board has entered into an agreement with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, through the Council, to fund a portion of the enhancements and maintenance fees for a central data repository project that requires maintenance through 2020 which includes option periods beyond 2022.

Litigation and Contingent Liabilities — The Board is subject to contingent liabilities which arise from litigation cases and various business contracts. These contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. Based on information currently available to management, it is management's opinion that the expected outcome of these matters, in the aggregate, will not have a material adverse effect on the financial statements.

(15) Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2022. Subsequent events were evaluated through March 6, 2023, which is the date the financial statements were available to be issued.

* * * * * *

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Governors of the Federal Reserve System:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Governors of the Federal Reserve System (the Board), which comprise the balance sheet as of December 31, 2022, and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2023.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, noncompliance with which could have a direct and material effect on the financial statements. 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.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the Board's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, District of Columbia
March 6, 2023