2025-FMIC-B-004
March 4, 2025

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, 2024 and 2023, 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 4, 2025

TO: Board of Governors

FROM: Mark Bialek
Inspector General

SUBJECT: 2024 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, 2024 and 2023, and to audit the Board's internal control over financial reporting as of December 31, 2024.

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 4, 2025.

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: Rendell Jones
Winona H. Varnon
Jeff Riedel
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, 2024 and 2023,
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 4, 2025

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, 2024 and 2023, 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 Rendell Jones
Chief Financial Officer

by Stephen Bernard
Deputy Director

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, 2024 and 2023, 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, 2024, 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, 2024 and 2023, 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, 2024 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 company 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 Matters

The critical audit matter communicated below is a matters arising from the current period audit of the financial statements that were 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 benefit obligation

As discussed in Note 6 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. The calculations of the obligations of these plans incorporate various actuarial and other assumptions, including discount rates, mortality tables, and cost-of-living adjustments. As of December 31, 2024, the Board had $173,919,978 of retirement benefit obligations.

We identified the evaluation of the BEP and PEP benefit obligations as a critical audit matter. A high degree of subjective auditor judgement was required as the assessment of the BEP and PEP benefit obligations involved the evaluation of complex actuarial models and the key assumptions used in such models, including the (1) discount rates, (2) mortality tables, and (3) cost-of-living adjustments. Changes in these key assumptions could have a significant change 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 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 assumptions related to mortality tables and cost-of-living adjustments used in the valuation by comparing the assumptions 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 4, 2025 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, DC
March 4, 2025

Board of Governors of the Federal Reserve System
Balance Sheets

	As of December 31,	
	2024	2023
Assets		
Current assets:		
Cash	$ 247,040,366	$ 182,005,753
Accounts receivable – net	2,504,648	5,602,857
Prepaid expenses and other assets	29,037,699	25,324,393
Total current assets	278,582,713	212,933,003
Noncurrent assets:		
Property, equipment, and software – net	1,284,471,516	937,991,958
Operating lease right-of-use assets	143,278,587	172,262,109
Other assets	2,571,332	6,496,729
Total noncurrent assets	1,430,321,435	1,116,750,796
Total assets	$ 1,708,904,148	$ 1,329,683,799
Liabilities and cumulative results of operations		
Current liabilities:		
Accounts payable and accrued liabilities	$ 130,115,252	$ 118,532,931
Accrued payroll and related taxes	66,393,842	57,559,704
Accrued annual leave	71,105,496	67,742,552
Finance lease payable	293,295	58,742
Operating lease payable	34,099,994	33,901,934
Unearned revenues and other liabilities	5,683,049	5,192,762
Total current liabilities	307,690,928	282,988,625
Long-term liabilities:		
Finance lease payable	3,379,721	82,275
Retirement benefit obligation	171,357,450	161,587,661
Postretirement benefit obligation	13,005,629	13,751,596
Postemployment benefit obligation	3,504,027	4,125,602
Operating lease payable	145,670,380	174,341,216
Other liabilities	29,946,975	15,922,081
Total long-term liabilities	366,864,182	369,810,431
Total liabilities	674,555,110	652,799,056
Cumulative results of operations:		
Fund balance	1,005,677,324	657,684,261
Accumulated other comprehensive income (loss)	28,671,714	19,200,482
Total cumulative results of operations	1,034,349,038	676,884,743
Total liabilities and cumulative results of operations	$ 1,708,904,148	$ 1,329,683,799

See notes to financial statements.

Board of Governors of the Federal Reserve System
Statements of Operations

	For the years ended December 31,	
	2024	2023
Board operating revenues:		
Assessments levied on Federal Reserve Banks for Board operating expenses and capital expenditures	$ 1,438,000,000	$ 1,144,000,000
Assessments levied on Federal Reserve Banks for currency-related operating expenses and capital expenditures	56,703,987	65,275,010
Other revenues	23,673,127	23,939,169
Total operating revenues	1,518,377,114	1,233,214,179
Board operating expenses:		
Salaries and contractual staffing fees	701,059,492	645,439,899
Retirement, insurance, and benefits	139,192,555	126,421,526
Other components of net periodic pension and postretirement costs	11,295,095	6,906,034
Contractual and professional fees	64,262,221	87,900,849
Depreciation, amortization, and net gains or losses on disposals	57,625,787	56,116,870
Travel	8,834,258	9,514,574
Non-capital furniture, equipment, postage, and supplies	25,384,182	35,515,735
Data, news, and research	25,434,453	24,130,896
Utilities	9,345,686	9,252,325
Software	43,840,046	37,962,031
Rentals of space and equipment	44,144,870	38,355,811
Repairs and maintenance	15,110,322	12,503,788
Other expenses	24,855,084	27,894,327
Total operating expenses	1,170,384,051	1,117,914,665
Net income	347,993,063	115,299,514
Currency costs:		
Assessments levied or to be levied on Federal Reserve Banks for currency costs	1,185,606,787	982,292,208
Expenses for costs related to currency	1,185,606,787	982,292,208
Currency assessments over (under) expenses	-	-
Bureau of Consumer Financial Protection (Bureau):		
Assessments levied on the Federal Reserve Banks for the Bureau	663,300,000	720,500,000
Transfers to the Bureau	663,300,000	720,500,000
Bureau assessments over (under) transfers	-	-
Total net income	$ 347,993,063	$ 115,299,514

See notes to financial statements.

Board of Governors of the Federal Reserve System

Statements of Operations—*continued*

	For the years ended December 31,	
	2024	2023
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	341,058	(2,201,754)
Net actuarial gain (loss) arising during the year	9,139,773	(16,540,851)
Total other comprehensive income (loss)	9,471,232	(18,752,204)
Comprehensive income (loss)	357,464,295	96,547,310
Cumulative results of operations – beginning of year*	676,884,743	580,337,433
Cumulative results of operations – end of year	$ 1,034,349,038	$ 676,884,743

See notes to financial statements.

* The opening balance includes a cumulative-effect adjustment of $15,943 for 2023 due to the adoption of ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. See footnote disclosures for more detail.

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

	For the years ended December 31,	
	2024	2023
Cash flows from operating activities:		
Net income	$ 347,993,063	$ 115,299,514
Adjustments to reconcile results of operations to net cash from (used in) operating activities:		
Depreciation and amortization	56,099,391	55,843,877
Net loss (gain) on disposal of property and equipment	1,526,396	272,993
Amortization of hosting arrangements implementation costs	2,904,147	1,503,946
Other additional noncash adjustments to results of operations	68,907	440
(Increase) decrease in assets:		
Accounts receivable	3,098,209	(2,803,046)
Prepaid expenses	(3,713,306)	(7,203,107)
Other assets	3,925,397	(5,085,089)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(33,038,230)	58,060,555
Accrued payroll and related taxes	8,834,138	4,712,182
Accrued annual leave	3,362,944	4,607,871
Unearned revenues and other liabilities	986,536	732,627
Operating lease payable (current portion)	198,060	7,503,800
Net retirement benefit obligation	18,180,848	11,211,574
Net postretirement benefit obligation	314,206	810,125
Net postemployment benefit obligation	(621,575)	(196,083)
Net operating lease assets and payable (non-current portion)	312,686	(311,402)
Other long-term liabilities	(2,044,214)	623,171
Net cash from (used in) operating activities	408,387,603	245,583,948
Cash flows used in investing activities:		
Capital expenditures	(343,298,787)	(275,469,577)
Net cash from (used in) investing activities	(343,298,787)	(275,469,577)
Cash flows used in financing activities:		
Finance lease payments	(54,203)	(53,723)
Net cash from (used in) financing activities	(54,203)	(53,723)
Net increase (decrease) in cash	65,034,613	(29,939,352)
Cash balance – beginning of year	182,005,753	211,945,105
Cash balance – end of year	$ 247,040,366	$ 182,005,753

See notes to financial statements.

Board of Governors of the Federal Reserve System
Notes to Financial Statements as of and for the years ended December 31, 2024 and December 31, 2023

(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 the financial position or results of operations of the Bureau.

(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. 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. The Board recognizes its allowance in accordance with FASB ASC 326, *Financial Instruments - Credit Losses* and the current expected credit loss (“CECL”) methodology. The allowance is reviewed monthly, based on the Board’s historical experiences, current conditions, and reasonable and supportable forecasts of its outstanding receivables.

In 2023, the transition adjustment for the adoption of CECL increased the allowance for doubtful accounts by $15,943, which is presented as a reduction to the Accounts Receivable – Net balance. The Board recorded a corresponding adjustment decreasing its opening Fund Balance account for 2023 by $15,943 for the cumulative effect of adopting CECL, which reflects the transition adjustment noted above.

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.

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, developing, 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 discloses pension and postretirement plan information required by Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 715, *Compensation – Retirement Benefits*.

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 related 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; 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 the arrangement on the balance sheet, but instead recognizes expense on a straight-line basis over the terms of the arrangement. The Board's discount rate is based on a risk-free Treasury rate at lease commencement using a period comparable to the lease term.

Recently Issued Accounting Standards – In 2024, the FASB issued ASU 2024-03 *Income Statement – Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. Subsequently, in January 2025, the FASB issued a related ASU, *ASU 2025-01, Income Statement— Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date.* The amendments in this update require disclosure, in the notes to financial statements, as of specified information about certain costs and expenses. This update is effective for the year ended December 31, 2027, although earlier adoption is permitted. The Board will evaluate the effect of this new guidance on its financial statements.

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, 2024 and 2023:

	As of December 31, 2024	As of December 31, 2023
Land	$ 49,464,201	$ 49,464,201
Buildings and improvements	697,113,690	693,346,323
Construction, furniture, and equipment in process	725,690,530	357,260,135
Furniture and equipment	140,506,703	127,025,023
Software in use	82,165,260	91,239,219
Software in process	5,031,123	5,535,606
Vehicles	3,160,848	3,561,216
Lease – building	3,573,842	-
Lease – office equipment	270,033	270,033
Hosting arrangements implementation costs	24,168,069	23,517,073
Subtotal	1,731,144,299	1,351,218,829
Less accumulated depreciation and amortization excluding hosting amort.	(443,768,636)	(411,722,925)
Less accumulated amortization hosting arrangements implementation costs	(2,904,147)	(1,503,946)
Property, equipment, and software – net	$1,284,471,516	$ 937,991,958

Construction, furniture, and equipment in process include costs incurred for long-term building enhancements as well as furniture and equipment preparation for assets that have not entered productive Board service. In 2024, the Board entered into a new finance lease for office space with a Reserve Bank. The Board entered into hosting arrangements for its Enterprise Resource Planning (ERP) system and Customer Relationship Management (CRM) software. In 2023 and 2024, these 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 $44,621,000 and ($23,532,000) for the years ended December 31, 2024 and 2023, respectively. The Board recorded retainage liabilities for noncash capital assets of goods received or services performed, which resulted in a net change of ($15,573,000) and $8,617,000 for the years ended December 31, 2024 and 2023, 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 10 years, some of which include options to extend the term for up to 10 years. However, management has determined that it is 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 2025 through 2034.

In 2024, commencement of a new finance lease for office space resulted in the recording of a ROU asset and corresponding lease liability of $3,544,306 and $3,586,202, respectively, as of December 31, 2024. In addition, the Board extended leases for office space in 2024, which resulted in a net increase to the operating ROU assets and corresponding lease liabilities of $5,395,847 and $5,265,471, respectively, as of December 31, 2024.

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. The Board accounted for $0 and $584,200 of rent concession for its office lease under the original lease contract as variable payments in 2024 and 2023, respectively.

Lease cost. The Board's lease cost was comprised of the following components for the years ended December 31, 2024 and 2023:

	2024	2023
Operating lease cost	$ 37,523,452	$ 34,739,900
Short-term lease cost	14,428	18,190
Variable lease cost	6,606,990	3,597,721
Amortization of finance lease assets	83,543	54,007
Interest on finance lease liabilities	13,394	1,475
Sublease income	-	(645,984)
Total lease cost	**$ 44,241,807**	**$ 37,765,309**

Lease commitments. The Board's future minimum lease payments required under operating and finance leases as of December 31, 2024 were as follows:

	Operating Leases	Finance Leases
2025	$ 36,697,892	$ 438,278
2026	40,609,568	419,302
2027	39,504,059	405,392
2028	27,453,056	419,580
2029	12,776,025	434,266
Thereafter	29,473,140	2,410,241
Total lease payments	186,513,740	4,527,059
Less imputed interest	6,743,366	854,043
Present value of lease payments	179,770,374	3,673,016
Less current maturities of lease obligations	34,099,994	293,295
Long-term lease obligations	$ 145,670,380	$ 3,379,721

In order to calculate the ROU asset and lease liability for a lease, ASC 842 requires 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 ASC 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, 2024 and 2023 were as follows:

	2024	2023
Weighted Average Remaining Lease Term		
Operating leases	5.53 years	6.19 years
Finance leases	9.80 years	2.50 years
Weighted Average Discount Rate		
Operating leases	1.67%	1.68%
Finance leases	4.07%	0.89%

Supplemental cash flow information. Supplemental cash flow information related to the Board's leases during the years ended December 31, 2024 and 2023 were as follows:

		2024		2023
Cash paid for amounts included in measurement of lease liabilities:				
Operating cash flows from operating leases	$	36,854,532	$	28,199,782
Operating cash flows from finance leases	$	1,034	$	1,515
Financing cash flows from finance leases	$	54,203	$	53,723

(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, and certain employees of the Bureau. The Federal Reserve Bank of New York (FRBNY), on behalf of the System, recognized the net assets and costs associated with the System Plan in its financial statements through July 31, 2023. Previously, the Office of Employee Benefits of the Federal Reserve System (OEB) was a separate legal entity that administered the selected System benefit plans. Effective August 1, 2023, the OEB was integrated into the operations of the Federal Reserve Bank of Atlanta (FRBA). Beginning August 1, 2023, FRBA began recognizing the net asset or net liability 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. The FRBNY, on behalf of the System, funded \$140,000,000 during the first seven months of 2023. The FRBA, on behalf of the System, funded \$100,000,000 during the last five months of 2023. There was no funding in 2024. The Board currently does not make contributions to the System Plan.

Annually, the Society of Actuaries' Retirement Plan Experience Committee reviews the most recent mortality experience and can release updated mortality tables and mortality projection scales. This year, the annual review released in October 2024 did not update the mortality tables or mortality projections, however, the System reviewed its actual retiree mortality experience as part of an annual review. As a result, the System retained for year-end 2024 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 2024, the BEP projected benefit obligation (PBO) increased as a result of several factors. The primary driver of the increase in the liability is differences in the demographic experiences compared to prior expectations. This was partially offset by an increase in the discount rate to 6.04% from 5.49%.

Activity for the BEP as of December 31, 2024 and 2023, is summarized in the following tables:

	2024	2023
Change in projected benefit obligation:		
Benefit obligation – beginning of year	$ 102,642,289	$ 80,007,707
Service cost	8,353,879	6,212,778
Interest cost	6,888,660	5,329,658
Actuarial (gain) loss	(4,752,255)	11,666,232
Gross benefits paid	(681,488)	(574,086)
Benefit obligation – end of year	$ 112,451,085	$ 102,642,289
Accumulated benefit obligation – end of year	$ 26,730,450	$ 27,929,739
Weighted-average assumptions used to determine benefit obligation as of December 31:		
Discount rate	6.04%	5.49%
Rate of compensation increase	4.50%	4.50%
Change in plan assets:		
Fair value of plan assets – beginning of year	$ -	$ -
Employer contributions	681,488	574,086
Gross benefits paid	(681,488)	(574,086)
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)	842,990	698,845
Benefit obligation (noncurrent)	111,608,095	101,943,444
Funded status	(112,451,085)	(102,642,289)
Amount recognized – end of year	$ (112,451,085)	$ (102,642,289)
Amounts recognized in the balance sheets consist of:		
Asset	$ -	$ -
Liability – current	(842,990)	(698,845)
Liability – noncurrent	(111,608,095)	(101,943,444)
Net amount recognized	$ (112,451,085)	$ (102,642,289)
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial (gain) loss	$ (30,418,787)	$ (25,666,532)
Net amount recognized	$ (30,418,787)	$ (25,666,532)

Expected cash flows:	
Expected employer contributions – 2025	$ 842,990
Expected benefit payments:*	
2025	$ 842,990
2026	$ 989,759
2027	$ 1,135,850
2028	$ 1,320,355
2029	$ 1,552,282
2030–2034	$ 13,502,177

* Expected benefit payments to be made by the Board.

	2024	2023
Components of net periodic benefit cost:		
Service cost	$ 8,353,879	$ 6,212,778
Interest cost	$ 6,888,660	$ 5,329,658
Expected return on plan assets	-	-
Amortization:		
Actuarial (gain) loss	-	$ (2,057,100)
Net periodic benefit cost	$ 15,242,539	$ 9,485,336
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	5.49%	5.78%
Rate of compensation increase	4.50%	4.50%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Current year actuarial (gain) loss	$ (4,752,255)	$ 11,666,232
Amortization of actuarial gain (loss)	-	2,057,100
Total recognized in other comprehensive (income) loss	$ (4,752,255)	$ 13,723,332
Total recognized in net periodic benefit cost and other comprehensive income	$ 10,490,284	$ 23,208,668

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 2024, the PEP PBO increased as a result of several factors. The primary driver of the increase in the liability is differences in the demographic experiences compared to prior expectations. This was partially offset by an increase in the discount rate to 5.77% from 5.19%.

Activity for the PEP as of December 31, 2024 and 2023, is summarized in the following tables:

	2024	2023
Change in projected benefit obligation:		
Benefit obligation – beginning of year	$ 60,911,107	$ 53,155,160
Service cost	1,677,439	1,455,415
Interest cost	3,345,960	3,056,704
Actuarial (gain) loss	(3,269,404)	4,606,588
Gross benefits paid	(1,510,433)	(1,362,760)
Benefit obligation – end of year	$ 61,154,669	$ 60,911,107
Accumulated benefit obligation – end of year	$ 52,041,739	$ 51,610,310
Weighted-average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.77%	5.19%
Rate of compensation increase	4.50%	4.50%
Change in plan assets:		
Fair value of plan assets – beginning of year	$ -	$ -
Employer contributions	1,510,433	1,362,760
Gross benefits paid	(1,510,433)	(1,362,760)
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	1,719,538	1,536,044
Benefit obligation – noncurrent	59,435,131	59,375,063
Funded status	(61,154,669)	(60,911,107)
Amount recognized – end of year	$ (61,154,669)	$ (60,911,107)
Amounts recognized in the balance sheets consist of:		
Asset	$ -	$ -
Liability – current	(1,719,538)	(1,536,044)
Liability – noncurrent	(59,435,131)	(59,375,063)
Net amount recognized	$ (61,154,669)	$ (60,911,107)

		2024	2023
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial (gain) loss		$ 4,645,758	$ 8,304,562
Prior service cost		-	-
Net amount recognized		$ 4,645,758	$ 8,304,562
Expected cash flows:			
Expected employer contributions – 2025	$ 1,719,538		
Expected benefit payments:*			
2025	$ 1,719,538		
2026	$ 1,922,485		
2027	$ 2,139,467		
2028	$ 2,378,882		
2029	$ 2,642,101		
2030–2034	$ 17,522,290		
* Expected benefit payments to be made by the Board.			
Components of net periodic benefit cost:			
Service cost		$ 1,677,439	$ 1,455,415
Interest cost		3,345,960	3,056,704
Expected return on plan assets		-	-
Amortization:			
Actuarial (gain) loss		$ 389,400	-
Net periodic benefit cost		$ 5,412,799	$ 4,512,119
Weighted-average assumptions used to determine net periodic benefit cost:			
Discount rate		5.19%	5.50%
Rate of compensation increase		4.50%	4.50%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss		$ (3,269,404)	$ 4,606,588
Amortization of actuarial gain (loss)		(389,400)	
Total recognized in other comprehensive (income) loss		$ (3,658,804)	$ 4,606,588
Total recognized in net periodic benefit cost and other comprehensive income		$ 1,753,995	$ 9,118,707

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, 2024 and 2023, is summarized in the following table:

	2024	2023
Retirement benefit obligation:		
Benefit obligation – BEP	$ 112,451,085	$ 102,642,289
Benefit obligation – PEP	61,154,669	60,911,107
Additional benefit obligations	314,224	269,154
Total accumulated retirement benefit obligation	$ 173,919,978	$ 163,822,550

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 $2,193,000 and $2,004,000 in 2024 and 2023, 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 $134,000 and $127,000 in 2024 and 2023, 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 $42,009,000 and $38,651,000 in 2024 and 2023, respectively.

(7) Postretirement Benefits

The Board provides certain life insurance programs for its active employees and retirees. Activity as of December 31, 2024 and 2023, is summarized in the following tables:

	2024	2023
Change in benefit obligation:		
Benefit obligation – beginning of year	$ 14,503,380	$ 13,779,731
Service cost	71,140	74,412
Interest cost	729,016	731,025
Actuarial (gain) loss	(1,118,114)	268,031
Gross benefits paid	(391,066)	(349,819)
Benefit obligation – end of year	$ 13,794,356	$ 14,503,380
Weighted-average assumptions used to determine benefit obligation as of December 31 – discount rate	5.64%	5.10%
Change in plan assets:		
Fair value of plan assets – beginning of year	$ -	$ -
Employer contributions	391,066	349,819
Gross benefits paid	(391,066)	(349,819)
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	788,727	751,784
Benefit obligation – noncurrent	13,005,629	13,751,596
Funded status	(13,794,356)	(14,503,380)
Amount recognized – end of year	$ (13,794,356)	$ (14,503,380)
Amounts recognized in the balance sheets consist of:		
Asset	$ -	$ -
Liability – current	(788,727)	(751,784)
Liability – noncurrent	(13,005,629)	(13,751,596)
Net amount recognized	$ (13,794,356)	$ (14,503,380)

		2024	2023
Amounts recognized in accumulated other comprehensive income consist of:			
Net actuarial (gain) loss		$ (2,858,158)	$ (1,788,386)
Prior service credit		(40,524)	(50,123)
Net amount recognized		$ (2,898,682)	$ (1,838,509)
Expected cash flows:			
Expected employer contributions – 2025	$ 788,727		
Expected benefit payments:*			
2025	$ 788,727		
2026	$ 821,326		
2027	$ 846,272		
2028	$ 877,657		
2029	$ 901,451		
2030–2034	$ 4,878,155		
* Expected benefit payments to be made by the Board.			
Components of net periodic benefit cost:			
Service cost		$ 71,140	$ 74,412
Interest cost		729,016	731,025
Expected return on plan assets		-	-
Amortization:			
Actuarial (gain) loss		(48,342)	(144,654)
Prior service credit		(9,599)	(9,599)
Net periodic benefit cost		$ 742,215	$ 651,184
Weighted-average assumptions used to determine net periodic benefit cost – discount rate		5.10%	5.42%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:			
Current year actuarial (gain) loss		$ (1,118,114)	$ 268,031
Amortization of prior service credit		9,599	9,599
Amortization of actuarial gain (loss)		48,342	144,654
Total recognized in other comprehensive (income) loss		$ (1,060,173)	$ 422,284
Total recognized in net periodic benefit cost and other comprehensive income		$ (317,958)	$ 1,073,468

(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 4.72 percent and 4.08 percent as of December 31, 2024 and 2023, respectively. The net periodic postemployment benefit cost (credit) recognized by the Board as of December 31, 2024 and 2023, was $56,000 and $423,000, 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, 2024 and 2023, 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, 2023	$ 35,691,890	$ 2,260,796	$ 37,952,686
Change in accumulated other comprehensive income (loss):			
Net actuarial gain (loss) arising during the year	(16,272,820)	(268,031)	(16,540,851)
Other comprehensive income before reclassifications	(16,272,820)	(268,031)	(16,540,851)
Amortization of prior service (credit) costs[a][b]		(9,599)	(9,599)
Amortization of net actuarial (gain) loss[a][b]	(2,057,100)	(144,654)	(2,201,754)
Amounts reclassified from accumulated other comprehensive income	(2,057,100)	(154,253)	(2,211,353)
Change in accumulated other comprehensive income (loss)	(18,329,920)	(422,284)	(18,752,204)
Balance – December 31, 2023	17,361,970	1,838,512	19,200,482
Change in accumulated other comprehensive income (loss):			
Net actuarial gain (loss) arising during the year[a]	8,021,659	1,118,114	9,139,773
Other comprehensive income before reclassifications	8,021,659	1,118,114	9,139,773
Amortization of prior service (credit) costs[a][b]	-	(9,599)	(9,599)
Amortization of net actuarial (gain) loss[a][b]	389,400	(48,342)	341,058
Amounts reclassified from accumulated other comprehensive income	389,400	(57,941)	331,459
Change in accumulated other comprehensive income (loss)	8,411,059	1,060,173	9,471,232
Balance – December 31, 2024	$ 25,773,029	$ 2,898,685	$ 28,671,714

[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:

	2024	2023
For the years ended December 31:		
Assessments levied or to be levied on Reserve Banks for:		
Currency expenses	$ 1,242,310,774	$ 1,047,567,218
Board operations	1,438,000,000	1,144,000,000
Transfers of funds to the Bureau	663,300,000	720,500,000
Total assessments levied or to be levied on Reserve Banks	$ 3,343,610,774	$ 2,912,067,218

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 $4,951,000 and $3,835,000 for the years ended December 31, 2024 and 2023, respectively. Activity related to the Board and the OEB is summarized in the following table:

	2024	2023
As of December 31:		
Accounts payable due to the Office of Employee Benefits	$ 691,192	$ 572,049

(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 $4,690,000 and $4,276,000 for the years ended December 31, 2024 and 2023, respectively for the assessment of operating, examiner education, and other Council program expenses. The Board expenses charged to the Council were $3,232,000 and $2,690,000 for the years ended December 31, 2024 and 2023, 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 $18,600,000 and $19,500,000 related to OIG funding in each of the 2024 and 2023 calendar years.

(13) Currency Costs

The United States Department of Treasury's 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. Currency costs related to Bureau of Engraving and Printing, and assessments for the currency costs related to Bureau of Engraving and Printing, are not components of the Board's net income.

The currency costs incurred by the Board for the years ended December 31, 2024 and 2023, are reflected in the following table:

	2024	2023
Costs related to Bureau of Engraving and Printing:		
Printing	$ 972,512,581	$ 852,464,919
Retirement of Federal Reserve Currency	3,006,191	4,844,540
Meaningful access program	1,097,682	1,032,290
New facility	208,990,333	123,950,459
Subtotal related to Bureau of Engraving and Printing	$ 1,185,606,787	$ 982,292,208
Other currency costs:		
Shipping	$ 18,512,530	$ 26,932,677
Research and development	22,297,473	26,396,676
Quality assurance services	10,249,384	6,365,481
Education services	5,644,600	5,580,176
Subtotal of other currency costs	$ 56,703,987	$ 65,275,010
Total currency costs	$ 1,242,310,774	$ 1,047,567,218

(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 2032.

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, 2024. Subsequent events were evaluated through March 4, 2025, which is the date the financial statements were available to be issued.

* * * * * *

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

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, 2024, and the related statements of operations, and cash flows for the year then ended, and have issued our report thereon dated March 4, 2025.

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, 2024 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, DC
March 4, 2025