

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, 2025 and 2024, and Independent Auditors' Reports



Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau



Introduction

We contracted with KPMG LLP to audit the financial statements of the Board of Governors of the Federal Reserve System as of and for the years ended December 31, 2025 and 2024, and to audit the Board's internal control over financial reporting as of December 31, 2025. The contract requires KPMG to perform the audit of the financial statements in accordance with the generally accepted auditing standards in the United States of America; the *Government Auditing Standards* for financial audits, issued by the comptroller general of the United States; and the Public Company Accounting Oversight Board's auditing standards. The contract also requires KPMG to perform an audit of internal control over financial reporting in accordance with the American Institute of Certified Public Accountants' attestation standards and the Public Company Accounting Oversight Board's auditing standards. KPMG issued the accompanying reports, both dated March 12, 2026.



Board of Governors of the Federal Reserve System

Financial Statements as of and for the
Years Ended December 31, 2025 and 2024,
and Independent Auditors' Reports

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

TABLE OF CONTENTS

	Page
MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2-4
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024:	
Balance Sheets	5
Statements of Operations	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-29
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	30



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

March 12, 2026

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, 2025 and 2024, 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 **WINONA
VARNON**
Winona H. Varnon
Chief Operating Officer

Digitally signed by
WINONA VARNON
Date: 2026.03.12 10:06:56
-04'00'

by 
Rendell L. Jones
Director and Chief Financial Officer

Digitally signed by
RENDELL JONES
Date: 2026.03.12 08:56:43
-04'00'



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, 2025 and 2024, 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, 2025, 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, 2025 and 2024, 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, 2025 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, 2025, the Board had \$204,311,366 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 12, 2026 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 12, 2026

Board of Governors of the Federal Reserve System Balance Sheets

As of December 31,

	2025	2024
Assets		
Current assets:		
Cash	\$ 196,826,927	\$ 247,040,366
Accounts receivable – net	1,773,101	2,504,648
Prepaid expenses and other assets	32,295,314	29,037,699
Total current assets	<u>230,895,342</u>	<u>278,582,713</u>
Noncurrent assets:		
Property, equipment, and software – net	1,769,739,547	1,284,471,516
Operating lease right-of-use assets	114,054,163	143,278,587
Other assets	3,778,474	2,571,332
Total noncurrent assets	1,887,572,184	1,430,321,435
Total assets	<u>\$ 2,118,467,526</u>	<u>\$ 1,708,904,148</u>
Liabilities and cumulative results of operations		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 82,626,729	\$ 130,115,252
Accrued payroll and related taxes	57,768,778	66,393,842
Accrued annual leave	67,274,509	71,105,496
Finance lease payable	709,970	293,295
Operating lease payable	39,030,246	34,099,994
Other liabilities and unearned revenues	8,524,163	5,683,049
Total current liabilities	<u>255,934,395</u>	<u>307,690,928</u>
Long-term liabilities:		
Finance lease payable	3,130,485	3,379,721
Retirement benefit obligation	201,402,690	171,357,450
Postretirement benefit obligation	13,593,361	13,005,629
Postemployment benefit obligation	3,289,888	3,504,027
Operating lease payable	107,049,046	145,670,380
Other liabilities	60,501,217	29,946,975
Total long-term liabilities	<u>388,966,687</u>	<u>366,864,182</u>
Total liabilities	644,901,082	674,555,110
Cumulative results of operations:		
Fund balance	1,460,188,547	1,005,677,324
Accumulated other comprehensive income (loss)	<u>13,377,897</u>	<u>28,671,714</u>
Total cumulative results of operations	1,473,566,444	1,034,349,038
Total liabilities and cumulative results of operations	<u>\$ 2,118,467,526</u>	<u>\$ 1,708,904,148</u>

See notes to financial statements.

Board of Governors of the Federal Reserve System

Statements of Operations

For the years ended December 31,

	2025	2024
Board operating revenues:		
Assessments levied on Federal Reserve Banks for Board operating expenses and capital expenditures	\$ 1,577,000,000	\$ 1,438,000,000
Assessments levied on Federal Reserve Banks for currency-related operating expenses and capital expenditures	54,548,967	56,703,987
Other revenues	14,785,037	23,673,127
Total operating revenues	<u>1,646,334,004</u>	<u>1,518,377,114</u>
Board operating expenses:		
Salaries and contractual staffing fees	711,564,701	701,059,492
Retirement, insurance, and benefits	142,564,215	139,192,555
Other components of net periodic pension and postretirement costs	9,794,113	11,295,095
Contractual and professional fees	61,346,020	64,262,221
Depreciation, amortization, and net gains or losses on disposals	54,626,657	57,625,787
Travel	8,214,653	8,834,258
Non-capital furniture, equipment, postage, and supplies	23,542,717	25,384,182
Data, news, and research	44,291,812	25,434,453
Utilities	9,274,705	9,345,686
Software	47,177,950	43,840,046
Rentals of space and equipment	38,118,539	44,144,870
Repairs and maintenance	14,211,919	15,110,322
Other expenses	27,094,780	24,855,084
Total operating expenses	<u>1,191,822,781</u>	<u>1,170,384,051</u>
Net income	454,511,223	347,993,063
Currency costs:		
Assessments levied or to be levied on Federal Reserve Banks for currency costs	1,070,261,986	1,185,606,787
Expenses for costs related to currency	1,070,261,986	1,185,606,787
Currency assessments over (under) expenses	-	-
Bureau of Consumer Financial Protection (Bureau):		
Assessments levied on the Federal Reserve Banks for the Bureau	245,100,000	663,300,000
Transfers to the Bureau	245,100,000	663,300,000
Bureau assessments over (under) transfers	-	-
Total net income	<u>\$ 454,511,223</u>	<u>\$ 347,993,063</u>

See notes to financial statements.

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

For the years ended December 31,

	2025	2024
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	(1,856,564)	341,058
Net actuarial gain (loss) arising during the year	(13,427,654)	9,139,773
Total other comprehensive income (loss)	(15,293,817)	9,471,232
Comprehensive income (loss)	439,217,406	357,464,295
Cumulative results of operations – beginning of year	1,034,349,038	676,884,743
Cumulative results of operations – end of year	<u>\$ 1,473,566,444</u>	<u>\$ 1,034,349,038</u>

See notes to financial statements.

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

For the years ended December 31,

	2025	2024
Cash flows from operating activities:		
Net income	\$ 454,511,223	\$ 347,993,063
Adjustments to reconcile results of operations to net cash from (used in) operating activities:		
Depreciation and amortization	53,624,038	56,099,391
Net loss (gain) on disposal of property and equipment	1,002,619	1,526,396
Amortization of hosting arrangements implementation costs	3,545,487	2,904,147
Other additional noncash adjustments to results of operations	(20,887)	68,907
(Increase) decrease in assets:		
Accounts receivable	731,547	3,098,209
Prepaid expenses	(3,257,615)	(3,713,306)
Other assets	(1,207,142)	3,925,397
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(29,378,333)	(33,038,230)
Accrued payroll and related taxes	(8,625,064)	8,834,138
Accrued annual leave	(3,830,987)	3,362,944
Unearned revenues and other liabilities	(982,578)	986,536
Operating lease payable (current portion)	4,930,252	198,060
Net retirement benefit obligation	15,160,179	18,180,848
Net postretirement benefit obligation	178,976	314,206
Net postemployment benefit obligation	(214,139)	(621,575)
Net operating lease assets and payable (non-current portion)	(9,396,910)	312,686
Other long-term liabilities	901,377	(2,044,214)
Net cash from (used in) operating activities	<u>477,672,043</u>	<u>408,387,603</u>
Cash flows used in investing activities:		
Capital expenditures	<u>(527,426,113)</u>	<u>(343,298,787)</u>
Net cash from (used in) investing activities	(527,426,113)	(343,298,787)
Cash flows used in financing activities:		
Finance lease payments	<u>(459,369)</u>	<u>(54,203)</u>
Net cash from (used in) financing activities	(459,369)	(54,203)
Net increase (decrease) in cash	(50,213,439)	65,034,613
Cash balance – beginning of year	<u>247,040,366</u>	<u>182,005,753</u>
Cash balance – end of year	<u>\$ 196,826,927</u>	<u>\$ 247,040,366</u>

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, 2025 and December 31, 2024

(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 financial position and the results of operations 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.

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.

Restructuring Charges – The Board recognizes restructuring charges in accordance with ASC 420, *Exit or Disposal Cost Obligations*, and ASC 712, *Compensation*. Restructuring charges include costs associated with employee separations, contract and lease terminations, and asset impairments. Expenses are recognized in the period in which the Board commits to a formalized restructuring plan or executes the specific actions contemplated in the plan and all criteria for financial statement recognition have been met.

Recently Issued Accounting Standards – In 2024, the FASB issued Accounting Standards Update (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 update, ASU 2025-01, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date*. This update improves the disclosures about an entity's expenses and addresses requests for more detailed information about the types of expenses in commonly presented expense captions. This update is effective for the year ending December 31, 2027, and early adoption is permitted. The Board will continue to evaluate the effect of this new guidance on its financial statements.

In July 2025, the FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This update provides entities with a practical expedient to assume that current conditions as of the balance sheet date for a contract asset do not change for the remaining life of the asset when developing reasonable and supportable forecasts as part of estimating expected credit losses. This update is effective for the

year ending December 31, 2026, and early adoption is permitted. The Board is evaluating the effect of this new guidance on its financial statements.

In September 2025, the FASB issued ASU 2025-06, Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): *Targeted Improvements to the Accounting for Internal-Use Software*. This update better aligns accounting for internally developed software with the shift towards incremental and iterative development methods. The update can be applied on a fully prospective basis, a modified basis for in-process projects, or on a full retrospective basis. This update is effective for the year ending December 31, 2028, and early adoption is permitted. The Board is evaluating 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, 2025 and 2024:

	As of December 31,	
	2025	2024
Land	\$ 49,464,201	\$ 49,464,201
Buildings and improvements	700,429,487	697,113,690
Construction in process	1,239,980,443	721,702,038
Furniture and equipment	139,217,646	143,929,100
Software in use and in process	90,483,117	84,479,819
Vehicles	3,382,111	3,160,848
Lease – building	3,573,842	3,573,842
Lease – office equipment	896,842	270,033
Hosting arrangements implementation costs	28,008,654	27,450,728
Subtotal	2,255,436,343	1,731,144,299
Less accumulated depreciation and amortization excluding hosting amort.	(477,893,220)	(442,409,065)
Less accumulated amortization hosting arrangements implementation costs	(7,803,576)	(4,263,718)
Property, equipment, and software – net	<u>\$ 1,769,739,547</u>	<u>\$ 1,284,471,516</u>

Construction in process include costs incurred for long-term building enhancements 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 (\$18,110,000) and \$44,621,000 for the years ended

December 31, 2025 and 2024, respectively. The Board recorded retainage liabilities for noncash capital assets of goods received or services performed, which resulted in a net change of (\$33,477,000) and (\$15,573,000) for the years ended December 31, 2025, and 2024, respectively.

Reclassification: In 2024, some accumulated depreciation for hosting arrangements implementation costs was presented within the “Less accumulated depreciation and amortization excluding hosting amort.” line. This immaterial error has been corrected in 2025 and properly presented within the “Less accumulated amortization hosting arrangements implementation costs” line.

In 2025, the Board also combined presentation of the “Software in use” and “Software in process” lines to provide a consolidated view of software costs and reclassified amounts between several Property, Equipment, and Software lines for the current and the comparative year.

(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 9 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 2026 through 2034.

In 2025, commencement of a new finance lease for data communication equipment resulted in the recording of a ROU asset and corresponding lease liability of \$453,000 and \$456,000, respectively, as of December 31, 2025. The Board extended an office space lease by one year in 2025, which resulted in a net increase to the operating ROU asset and corresponding lease liability of \$265,000 and \$275,000, respectively, as of December 31, 2025. The Board received rent abatement for an office space lease and applied a discount offered by the lessor for a data center lease in 2025, which resulted in a net change to the operating ROU assets and corresponding lease liabilities of (\$46,000) and (\$19,000), respectively, as of December 31, 2025.

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, 2025 and 2024:

	2025	2024
Operating lease cost	\$ 32,187,553	\$37,523,452
Short-term lease cost	903,946	14,428
Variable lease cost	5,027,040	6,606,990
Amortization of finance lease assets	582,551	83,543
Interest on finance lease liabilities	153,550	13,394
Total lease cost	<u>\$ 38,854,640</u>	<u>\$44,241,807</u>

Lease commitments. The Board's future minimum lease payments required under operating and finance leases as of December 31, 2025 were as follows:

	Operating Leases	Finance Leases
2026	\$ 40,875,997	\$ 854,090
2027	39,490,196	441,240
2028	27,443,814	419,580
2029	12,776,025	434,266
2030	8,373,218	449,465
Thereafter	21,099,922	1,960,776
Total lease payments	150,059,172	4,559,417
Less imputed interest	3,979,880	718,962
Present value of lease payments	146,079,292	3,840,455
Less current maturities of lease obligations	39,030,246	709,970
Long-term lease obligations	<u>\$ 107,049,046</u>	<u>\$ 3,130,485</u>

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, 2025 and 2024 were as follows:

	2025	2024
Weighted Average Remaining Lease Term		
Operating leases	4.69 years	5.53 years
Finance leases	7.99 years	9.80 years
Weighted Average Discount Rate		
Operating leases	1.63%	1.67%
Finance leases	4.07%	4.07%

Supplemental cash flow information. Supplemental cash flow information related to the Board's leases during the years ended December 31, 2025 and 2024 were as follows:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 36,654,212	\$ 36,854,532
Operating cash flows from finance leases	\$ 153,550	\$ 1,034
Financing cash flows from finance leases	\$ 459,369	\$ 54,203

(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 Atlanta (FRBA), on behalf of the System, recognizes 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 FRBA, on behalf of the System, funded \$180,000,000 and \$0 during each of the years ended December 31, 2025 and 2024, respectively. 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 may release updated mortality tables and mortality projection scales. The Committee did not make significant changes to its mortality assumption guidance in 2025. This year, the System performed the demographic experience study that is conducted every five years and reviewed the actual mortality over that period. As a result, the System retained for year-end 2025 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 the Benefits Equalization Plan (BEP), a non-qualified plan. 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 2025, the BEP projected benefit obligation (PBO) increased as a result of several factors. The primary driver of the increase in the liability is the demographic assumptions updates, primarily the compensation increase, termination, and mortality rates, based on the experience study conducted in 2025. The decrease in the discount rate from 6.04% to 5.98% also increased the PBO.

Activity for the BEP as of December 31, 2025 and 2024, is summarized in the following tables:

	2025	2024
Change in projected benefit obligation:		
Benefit obligation – beginning of year	\$ 112,451,085	\$ 102,642,289
Service cost	7,331,300	8,353,879
Interest cost	7,194,605	6,888,660
Actuarial (gain) loss	9,134,056	(4,752,255)
Gross benefits paid	(845,072)	(681,488)
Benefit obligation – end of year	<u>\$ 135,265,974</u>	<u>\$ 112,451,085</u>
Accumulated benefit obligation – end of year	<u>\$ 31,515,132</u>	<u>\$ 26,730,450</u>
Weighted-average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.98%	6.04%
Rate of compensation increase	4.50%	4.50%
Change in plan assets:		
Fair value of plan assets – beginning of year	\$ -	\$ -
Employer contributions	845,072	681,488
Gross benefits paid	(845,072)	(681,488)
Fair value of plan assets – end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Reconciliation of funded status – end of year:		
Fair value of plan assets	\$ -	\$ -
Benefit obligation (current)	979,196	842,990
Benefit obligation (noncurrent)	134,286,778	111,608,095
Funded status	(135,265,974)	(112,451,085)
Amount recognized – end of year	<u>\$ (135,265,974)</u>	<u>\$ (112,451,085)</u>
Amounts recognized in the balance sheets consist of:		
Asset	\$ -	\$ -
Liability – current	(979,196)	(842,990)
Liability – noncurrent	(134,286,778)	(111,608,095)
Net amount recognized	<u>\$ (135,265,974)</u>	<u>\$ (112,451,085)</u>
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial (gain) loss	<u>\$ (19,620,731)</u>	<u>\$ (30,418,787)</u>
Net amount recognized	<u>\$ (19,620,731)</u>	<u>\$ (30,418,787)</u>

Expected cash flows:

Expected employer contributions – 2026	<u>\$ 979,196</u>
Expected benefit payments:*	
2026	\$ 979,196
2027	\$ 1,135,660
2028	\$ 1,330,321
2029	\$ 1,577,840
2030	\$ 1,889,453
2031–2035	\$ 16,747,330

* Expected benefit payments to be made by the Board.

	2025	2024
Components of net periodic benefit cost:		
Service cost	\$ 7,331,300	\$ 8,353,879
Interest cost	\$ 7,194,605	\$ 6,888,660
Expected return on plan assets	-	-
Amortization:		
Actuarial (gain) loss	(1,664,000)	-
Net periodic benefit cost	<u>\$ 12,861,905</u>	<u>\$ 15,242,539</u>

Weighted-average assumptions used to determine net periodic benefit cost:

Discount rate	6.04%	5.49%
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	\$ 9,134,056	\$ (4,752,255)
Amortization of actuarial gain (loss)	1,664,000	-
Total recognized in other comprehensive (income) loss	<u>\$ 10,798,056</u>	<u>\$ (4,752,255)</u>
 Total recognized in net periodic benefit cost and other comprehensive income	 <u>\$ 23,659,961</u>	 <u>\$ 10,490,284</u>

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 2025, 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. The decrease in the discount rate from 5.77% to 5.67% also increased the PBO.

Activity for the PEP as of December 31, 2025 and 2024, is summarized in the following tables:

	2025	2024
Change in projected benefit obligation:		
Benefit obligation – beginning of year	\$ 61,154,669	\$ 60,911,107
Service cost	1,560,197	1,677,439
Interest cost	3,691,614	3,345,960
Actuarial (gain) loss	4,110,451	(3,269,404)
Gross benefits paid	<u>(1,730,708)</u>	<u>(1,510,433)</u>
Benefit obligation – end of year	<u>\$ 68,786,223</u>	<u>\$ 61,154,669</u>
Accumulated benefit obligation – end of year	<u>\$ 58,676,753</u>	<u>\$ 52,041,739</u>
Weighted-average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.67%	5.77%
Rate of compensation increase	4.50%	4.50%
Change in plan assets:		
Fair value of plan assets – beginning of year	\$ -	\$ -
Employer contributions	1,730,708	1,510,433
Gross benefits paid	<u>(1,730,708)</u>	<u>(1,510,433)</u>
Fair value of plan assets – end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Reconciliation of funded status – end of year:		
Fair value of plan assets	\$ -	\$ -
Benefit obligation – current	1,929,480	1,719,538
Benefit obligation – noncurrent	66,856,743	59,435,131
Funded status	<u>(68,786,223)</u>	<u>(61,154,669)</u>
Amount recognized – end of year	<u>\$ (68,786,223)</u>	<u>\$ (61,154,669)</u>
Amounts recognized in the balance sheets consist of:		
Asset	\$ -	\$ -
Liability – current	(1,929,480)	(1,719,538)
Liability – noncurrent	<u>(66,856,743)</u>	<u>(59,435,131)</u>
Net amount recognized	<u>\$ (68,786,223)</u>	<u>\$ (61,154,669)</u>

	2025	2024
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial (gain) loss	\$ 8,732,763	\$ 4,645,758
Net amount recognized	<u>\$ 8,732,763</u>	<u>\$ 4,645,758</u>
Expected cash flows:		
Expected employer contributions – 2026	<u>\$ 1,929,480</u>	
Expected benefit payments:*		
2026	\$ 1,929,480	
2027	\$ 2,136,452	
2028	\$ 2,371,757	
2029	\$ 2,643,611	
2030	\$ 2,927,342	
2031–2035	\$ 19,396,997	
* Expected benefit payments to be made by the Board.		
Components of net periodic benefit cost:		
Service cost	\$ 1,560,197	\$ 1,677,439
Interest cost	3,691,614	3,345,960
Expected return on plan assets	-	-
Amortization:		
Actuarial (gain) loss	\$ 23,446	\$ 389,400
Net periodic benefit cost	<u>\$ 5,275,257</u>	<u>\$ 5,412,799</u>
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	5.77%	5.19%
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	\$ 4,110,451	\$ (3,269,404)
Amortization of actuarial gain (loss)	(23,446)	(389,400)
Total recognized in other comprehensive (income) loss	<u>\$ 4,087,005</u>	<u>\$ (3,658,804)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 9,362,262</u>	<u>\$ 1,753,995</u>

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, 2025 and 2024, is summarized in the following table:

	2025	2024
Retirement benefit obligation:		
Benefit obligation – BEP	\$ 135,265,974	\$ 112,451,085
Benefit obligation – PEP	68,786,223	61,154,669
Additional benefit obligations	259,169	314,224
Total accumulated retirement benefit obligation	<u>\$ 204,311,366</u>	<u>\$ 173,919,978</u>

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 \$2,006,000 and \$2,193,000 in 2025 and 2024, 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 \$106,000 and \$134,000 in 2025 and 2024, 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 \$42,496,000 and \$42,009,000 in 2025 and 2024, respectively.

(7) Postretirement Benefits

The Board provides certain life insurance programs for its active employees and retirees. Activity as of December 31, 2025 and 2024, is summarized in the following tables:

	2025	2024
Change in benefit obligation:		
Benefit obligation – beginning of year	\$ 13,794,356	\$ 14,503,380
Service cost	58,806	71,140
Interest cost	774,057	729,016
Actuarial (gain) loss	183,147	(1,118,114)
Gross benefits paid	<u>(363,684)</u>	<u>(391,066)</u>
Benefit obligation – end of year	<u>\$ 14,446,682</u>	<u>\$ 13,794,356</u>
Weighted-average assumptions used to determine benefit obligation as of December 31 – discount rate		
	5.43%	5.64%
Change in plan assets:		
Fair value of plan assets – beginning of year	\$ -	\$ -
Employer contributions	363,684	391,066
Gross benefits paid	<u>(363,684)</u>	<u>(391,066)</u>
Fair value of plan assets – end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status:		
Reconciliation of funded status – end of year:		
Fair value of plan assets	\$ -	\$ -
Benefit obligation – current	853,321	788,727
Benefit obligation – noncurrent	13,593,361	13,005,629
Funded status	<u>(14,446,682)</u>	<u>(13,794,356)</u>
Amount recognized – end of year	<u>\$ (14,446,682)</u>	<u>\$ (13,794,356)</u>
Amounts recognized in the balance sheets consist of:		
Asset	\$ -	\$ -
Liability – current	(853,321)	(788,727)
Liability – noncurrent	<u>(13,593,361)</u>	<u>(13,005,629)</u>
Net amount recognized	<u>\$ (14,446,682)</u>	<u>\$ (13,794,356)</u>

	2025	2024
Amounts recognized in accumulated other comprehensive income consist of:		
Net actuarial (gain) loss	\$ (2,459,001)	\$ (2,858,158)
Prior service credit	<u>(30,925)</u>	<u>(40,524)</u>
Net amount recognized	<u>\$ (2,489,926)</u>	<u>\$ (2,898,682)</u>
Expected cash flows:		
Expected employer contributions – 2026	<u>\$ 853,321</u>	
Expected benefit payments:*		
2026	\$ 853,321	
2027	\$ 876,770	
2028	\$ 907,190	
2029	\$ 929,618	
2030	\$ 958,968	
2031–2035	\$ 5,086,108	
* Expected benefit payments to be made by the Board.		
Components of net periodic benefit cost:		
Service cost	\$ 58,806	\$ 71,140
Interest cost	774,057	729,016
Expected return on plan assets	-	-
Amortization:		
Actuarial (gain) loss	(216,010)	(48,342)
Prior service credit	(9,599)	(9,599)
Net periodic benefit cost	<u>\$ 607,254</u>	<u>\$ 742,215</u>
Weighted-average assumptions used to determine net periodic benefit cost – discount rate		
	5.64%	5.10%
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Current year actuarial (gain) loss	\$ 183,147	\$ (1,118,114)
Amortization of prior service credit	9,599	9,599
Amortization of actuarial gain (loss)	216,010	48,342
Total recognized in other comprehensive (income) loss	<u>\$ 408,756</u>	<u>\$ (1,060,173)</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 1,016,010</u>	<u>\$ (317,958)</u>

(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 4.42 percent and 4.72 percent as of December 31, 2025 and 2024, respectively. The net periodic postemployment benefit cost (credit) recognized by the Board as of December 31, 2025 and 2024, was \$290,000 and \$56,000, 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, 2025 and 2024, 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, 2024	\$ 17,361,970	\$ 1,838,512	\$ 19,200,482
Change in accumulated other comprehensive income (loss):			
Net actuarial gain (loss) arising during the year	<u>8,021,659</u>	<u>1,118,114</u>	<u>9,139,773</u>
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)}	<u>389,400</u>	<u>(48,342)</u>	<u>341,058</u>
Amounts reclassified from accumulated other comprehensive income	389,400	(57,941)	331,459
Change in accumulated other comprehensive income (loss)	<u>8,411,059</u>	<u>1,060,173</u>	<u>9,471,232</u>
Balance – December 31, 2024	25,773,029	2,898,685	28,671,714
Change in accumulated other comprehensive income (loss):			
Net actuarial gain (loss) arising during the year ^(a)	(13,244,507)	(183,147)	(13,427,654)
Other comprehensive income before reclassifications	<u>(13,244,507)</u>	<u>(183,147)</u>	<u>(13,427,654)</u>
Amortization of prior service (credit) costs ^{(a)(b)}	-	(9,599)	(9,599)
Amortization of net actuarial (gain) loss ^{(a)(b)}	(1,640,554)	(216,010)	(1,856,564)
Amounts reclassified from accumulated other comprehensive income	<u>(1,640,554)</u>	<u>(225,609)</u>	<u>(1,866,163)</u>
Change in accumulated other comprehensive income (loss)	(14,885,061)	(408,756)	(15,293,817)
Balance – December 31, 2025	<u>\$ 10,887,968</u>	<u>\$ 2,489,929</u>	<u>\$ 13,377,897</u>

^(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:

	2025	2024
For the years ended December 31:		
Assessments levied or to be levied on Reserve Banks for:		
Currency expenses	\$ 1,124,810,953	\$ 1,242,310,774
Board operations	1,577,000,000	1,438,000,000
Transfers of funds to the Bureau	245,100,000	663,300,000
Total assessments levied or to be levied on Reserve Banks	<u>\$ 2,946,910,953</u>	<u>\$ 3,343,610,774</u>

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 \$5,295,000 and \$4,951,000 for the years ended December 31, 2025 and 2024, respectively. Activity related to the Board and the OEB is summarized in the following table:

	2025	2024
As of December 31:		
Accounts payable due to the Office of Employee Benefits	\$ 734,031	\$ 691,192

(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 \$4,609,000 and \$4,690,000 for the years ended December 31, 2025 and 2024, respectively for the assessment of operating, examiner education, and other Council program expenses. The Board expenses charged to the Council were \$3,199,000 and \$3,232,000 for the years ended December 31, 2025 and 2024, 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, as amended by the One Big Beautiful Bill Act of 2025, 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 \$10,200,000 and \$18,600,000 related to OIG funding in each of the 2025 and 2024 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, 2025 and 2024, are reflected in the following table:

	2025	2024
Costs related to Bureau of Engraving and Printing:		
Printing	\$ 972,685,151	\$ 972,512,581
Retirement of Federal Reserve Currency	2,749,835	3,006,191
Meaningful access program	1,062,153	1,097,682
New facility	93,764,847	208,990,333
Subtotal related to Bureau of Engraving and Printing	<u>\$ 1,070,261,986</u>	<u>\$ 1,185,606,787</u>
Other currency costs:		
Shipping	\$ 16,678,896	\$ 18,512,530
Research and development	27,089,463	22,297,473
Quality assurance services	4,832,270	10,249,384
Education services	<u>5,948,338</u>	<u>5,644,600</u>
Subtotal of other currency costs	<u>\$ 54,548,967</u>	<u>\$ 56,703,987</u>
Total currency costs	<u><u>\$ 1,124,810,953</u></u>	<u><u>\$ 1,242,310,774</u></u>

(14) Restructuring

In 2025, the Board announced a multi-year effort to consolidate its internal functions, modernize its business practices, and reduce the number of its staff by approximately ten percent to ensure the size of the organization continues to be aligned with its Congressionally mandated mission. As part of the effort in 2025, a voluntary deferred resignation program was offered to certain Board staff. The effort also anticipates a continuing reduction in the size of Board’s workforce over time. This restructuring effort is expected to continue in 2026.

The Board has recorded restructuring charges of \$16,260,000 starting in 2025, which are recorded within the Salaries and contractual staffing fees and Retirement, insurance, and benefits lines in the Statement of Operations and is comprised of salary and benefit costs representing severance pay to those involuntarily terminated as well as salary and benefits costs for staff who voluntarily accepted the deferred resignation program. Of those costs, \$9,333,000 has been paid to employees or otherwise settled as of December 31, 2025 with the remaining \$6,927,000 to be paid in the future.

(15) Commitments and Contingencies

Commitments — The Board and other members of the Council jointly provide funding for Central Data Repository (CDR) operations. In 2024, the Council entered into a contract with a vendor that provides maintenance for CDR 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.

(16) Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2025. Subsequent events were evaluated through March 12, 2026, 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*

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, 2025, and the related statements of operations, and cash flows for the year then ended, and have issued our report thereon dated March 12, 2026.

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, 2025 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 12, 2026