



2021 Annual Financial Report



U.S. Department of the Treasury
Bureau of Engraving and Printing

Mission

The Bureau of Engraving and Printing develops and produces United States currency notes, trusted worldwide.



Core Values

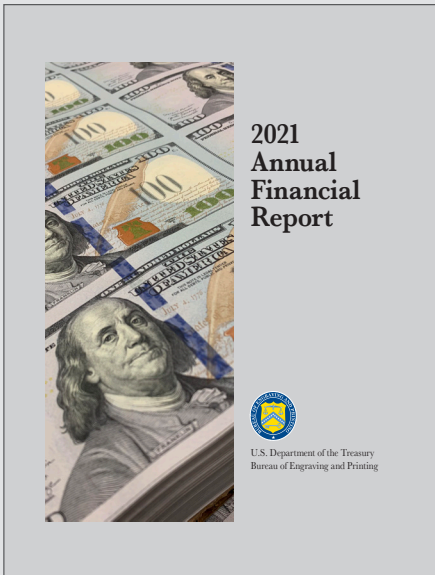
Integrity • Fairness • Performance • Respect



Vision

The Bureau of Engraving and Printing —setting the world standard for banknotes and document security through excellence in manufacturing and innovation.

About the Cover



U.S. currency is recognized the world over as a store of value that symbolizes the strength and resilience of the U.S. economy. Demand for U.S. currency has been strong and growing across the globe. As much as one-half of the value of U.S. currency is estimated to be circulating abroad, and is considered the benchmark for secure, safe and trusted currencies. This has been all the more apparent during today's challenging times. During the pandemic, the demand for U.S. currency has been robust - led by the demand for \$100 denomination notes. The BEP is proud of the work we do and mindful of the importance that U.S. currency plays on the

world stage. Now, more than ever, BEP is committed to meeting the demand for U.S. currency that is safe, secure and of the highest quality. As described in the following pages of this report, the backbone of BEP's success rests on the shoulders of its dedicated, hardworking employees who continue to rise to the challenge to meet the need for U.S. currency at home and abroad.

Table of Contents

Message from the Director	3
Message from the CFO	5
Highlights of the Year	6
Profile of the Bureau of Engraving and Printing	13
Executive Organizational Structure	15
Safety, Health and Environmental Management	16
Strategic Plan.	20
Facility Modernization	22
Currency Quality Assurance Program	24
Program Performance Measures	28
Management Discussion and Analysis.	32
Federal Managers' Financial Integrity Act Plans and Accomplishments.	35
Custody of Assets	38
Assurance Statement.	39
Summary of Office of Inspector General Audits	40
Financial Statements	42
Notes to Financial Statements	49

Message from the Director



Leonard R. Olijar

Founded in 1862, the mission of the Bureau of Engraving and Printing (BEP or Bureau) is to develop and produce United States currency notes, trusted worldwide. The BEP plays an essential role in this nation's and the global economy. Demand for U.S. currency at home and abroad continues to grow at an unprecedented rate since the beginning of the pandemic. We have overcome many obstacles to meet increased demand, especially for higher denomination notes, while keeping employees safe. I am particularly proud of the employees who have been coming into our facilities; our front-line workers, who have so boldly continued to serve the nation during the pandemic.

An innovative and empowered workforce has always been the cornerstone of our success, and this was readily apparent as we persevered through the second year of the pandemic. During 2021, BEP delivered nearly 7.0 billion Federal Reserve notes to the Federal Reserve Board (Board), an increase of approximately 20% over the prior year. Working with our partner, the Board, we delivered this increased order through the most effective use of available resources and the unwavering commitment of our workforce. We continued to refine our manufacturing processes to improve productivity, reduce spoilage and increase overall efficiency while maintaining world-class quality standards for the U.S. Currency Program (USCP).

During the year, we moved forward on our major investments to expand the Bureau's Western Currency Facility (WCF) in Fort Worth, Texas and replace the Washington, DC Facility (DCF) with a smaller, more efficient production facility. Work at the WCF has progressed steadily and the expansion is on track for completion in 2023. Concurrently, we made important strides toward our strategic goal of replacing our more than 100-year-old facility in Washington, DC with a modern production facility. As reported last year, the Bureau is evaluating a Department of Agriculture (USDA) site for the location of the new production facility. The 100-acre parcel, located in Beltsville, Maryland, is in the process of being transferred from the USDA to the Department of the Treasury (Treasury) pending the results of final site evaluation and environmental impact assessments. To date, all assessments are favorable and the official transfer of the property from USDA to Treasury is expected to be complete in early 2022. A design contract was awarded to an internationally recognized design firm and the facility construction contract should be awarded in 2023.

The COVID-19 pandemic has had and will continue to have profound effects on all of us in many ways as individuals, as an organization, and as a country. I wish to express my profound gratitude to the entire BEP workforce for their exceptional service to BEP and our nation over the past year. I also want to thank my leadership team and the leadership of BEP's 15 unions for helping us to safely lead our employees through many pandemic-driven changes and meet our critical mission.

The organization's success in setting a global standard for the production of distinct and technologically sophisticated currency notes has rested on the unique skills,

craftsmanship, determination and dedication of our employees. We have a very large currency order for 2022 and it will take a tremendous team effort to safely meet the demand. At the same time, we must modernize our facilities, invest in our employees, and continually redesign the nation's currency to keep it secure. The Bureau is extremely fortunate to have a focused and dedicated group of professionals at every level. We have a diverse team of employees united by a resolute commitment to excellence. Together we will continue to upgrade our technology and improve work processes and quality performance to produce and deliver world-class currency befitting our rich tradition of excellence. We will move forward to build a better BEP while holding fast to our core values: performance, integrity, fairness and respect.

Message from the CFO



Steven A. Fisher

I am pleased to present the BEP's Annual Financial Report for the fiscal year (FY) ending September 30, 2021. Through the commitment of our dedicated employees, BEP celebrates its 37th consecutive year of receiving an unmodified audit opinion on its financial statements. The BEP's tradition of excellence and sound financial management practices provides our stakeholders reassurance of our commitment to effective stewardship of USCP resources.

During FY 2021, the Bureau delivered nearly 7.0 billion currency notes to the Board, resulting in revenue of \$928.9 million and an excess of revenue over expenses of \$61.4 million. The excess of revenue over expenses provides the necessary funding for the Bureau's working capital requirements and investments in plant and equipment as authorized by law. Once again, the Bureau's resilient and dedicated workforce overcame significant obstacles to meet the global need for U.S. currency while meeting or exceeding established manufacturing and cost performance benchmarks. The currency notes we produce are relied upon and in demand not only in the United States, but internationally.

The BEP made steady progress in 2021 with our strategic investments to sustain and grow our productive capability for the future while continuing to prudently invest in technology upgrades from which we are yielding positive results now and that are transferrable and complementary to our strategic direction. As noted in the Director's letter, we have made significant progress in upgrading our facilities by expanding the WCF and replacing our aging, multilevel facility in Washington, DC with a more efficient production facility in Beltsville, Maryland. In the near term, our investment in currency note reclamation technology has resulted in a 53% reduction in spoilage for \$100 note production and a 25% reduction in spoilage for \$20 note production. Our continuing investment in 50-subject production capability also reduced manufacturing costs and increased production capacity during this time of increased demand. Innovations and investments were not limited to the BEP manufacturing program. Progress continued in administrative and support areas toward the development of artificial intelligence tools to streamline acquisition planning, processing and market analytics capability and automation of financial transaction processing and budget forecasting. Together these investments and process innovations are projected to result in savings of \$15 million annually, and their full development will help maximize the benefits of our strategic facility investments for years to come.

Moving forward, the Bureau will remain focused on quality manufacturing, superior customer service and efficient stewardship of resources so we can continue to effectively meet or exceed the needs of all stakeholders. As we continue to face growing challenges and demands, investing in our workforce, cutting-edge technologies, and property, plant and equipment will remain the pillars of our growth strategy. The Bureau has positioned itself to meet these needs both from an operational and financial management perspective. The BEP has the financial resources necessary to invest in its employees to maintain a talented workforce, and a well-disciplined capital investment strategy to enhance product quality, promote counterfeit deterrence and ensure the cost effectiveness of the USCP.

Highlights of the Year

As BEP continued to maneuver through the pandemic during FY 2021, we rose to the challenge of delivering an exceptionally large Yearly Currency Order (YCO), while protecting the health and safety of employees and balancing several other priorities. For the 37th consecutive year, BEP received an unmodified opinion on its financial statements. The Bureau also continued to progress in its goals to modernize its facilities and technology, develop strategies for meaningful access to currency for individuals who are blind and visually impaired, and explore innovative currency concepts and effective counterfeit deterrent security features. The BEP recognizes the following highlights of the year as emblematic of the dedicated team of public servants who work here at BEP:

BEP Pandemic Response

The BEP’s mission is an essential government function and a key element to maintain the economic health of the United States. U.S. currency is internationally recognized as a desired store of value in times of crisis. Demand for U.S. currency at home and abroad continued to grow at an unprecedented rate since the beginning of the pandemic. We have overcome many obstacles to meet increased demand, especially for higher denomination notes.

Even as we tackled the currency order and other projects, the health and safety of employees remained BEP’s top priority and the guiding principle in our organizational planning and action as the pandemic continued. The BEP continued to operate under, and make updates to, the comprehensive pandemic response standard operating procedure developed in March 2020, which established rigorous safety and health protocols for its employees in accordance with Centers for Disease Control and Prevention (CDC) recommendations. The BEP met regularly with union representatives



Contact tracing devices

and management to ensure that clear and effective communication was taking place as new protocol was implemented. In September 2020, Phase 2 of BEP’s reopening plan went into effect, allowing additional employees back as we worked to bring both facilities up to full production capacity. In April 2021, contact tracing devices were distributed to all employees entering a facility for more than three days in a pay period. The devices have helped to support social distancing efforts, reduce higher-risk activity, minimize the number of close contacts, and expedite BEP’s contact tracing process.

The BEP’s COVID-19 communication intranet repository is continually updated to make

all resources available to employees in one place and an app is available for users to confidentially report COVID-19 safety violations at the facilities, if necessary.

As some of the BEP workforce remain in telework status, BEP also completed Virtual Private Network capacity upgrades, purchased and distributed laptops for new teleworkers, shipped IT equipment to those who needed it, and added support for virtual meeting capabilities.

The BEP continued to deal with the challenges of the pandemic head on, strategically, and thoughtfully, while managing safety concerns and its mission during a period of unprecedented currency demand. In coordination with the Board, BEP ramped up production considerably in FY 2021. The dedication of front-line employees was the driving force behind BEP's success in maintaining this high level of production. The teamwork from all corners of BEP was exceptional. The essential work of BEP supports the national and global economy and helps provide financial stimulus to millions of jobless and homeless American families and small businesses.

New Signature for Series 2021 Currency Notes

The Bureau obtained the 78th Secretary of the Department of the Treasury Janet L. Yellen's official signature on May 10, 2021. In a historic moment, Director Olijar met with the first female Secretary of the Treasury to obtain her signature that will appear on Series 2021 currency notes. Secretary Yellen was sworn in on January 26, 2021. An economist by training, she took office after almost 50 years in academia and public service. She is the first person in American history to have led the White House Council of Economic Advisors, the Federal Reserve and the Treasury Department. Since 1914, the Treasury Secretary has had their signature appear on currency notes. The Series 2021 currency notes will bear the signature of Secretary Yellen along with that of an appointed Treasurer of the United States.



Treasury Secretary Janet Yellen provides her official signature for Series 2021 currency at the Department of the Treasury.



Treasury Secretary Janet Yellen poses with Treasury Chief of Staff Didem Nisanci, left, and BEP Director Len Olijar during the signing event.

FY 2021 YCO

Due to unusually high currency demand resulting from the pandemic and following extensive consultation with the Board, BEP delivered nearly 7.0 billion notes in FY 2021, exceeding the final FY 2020 print order by 1.2 billion notes, or approximately 20%. This year-over-year increase, especially for high denomination notes, was a response to the surge in demand for U.S. currency and to better address possible shifts in note demand and note production due to the pandemic. To meet the demand, BEP rose to the challenge by making the most effective use of available resources and through the unwavering commitment of our workforce. In October 2020, BEP started \$100 production at the DCF. Each facility producing the higher denomination notes throughout the year put us in the best position for success. Constant communication among the facilities, the Board and our major vendors enabled the USCP to respond to shifting priorities, preventing any disruptions in the U.S. or international markets. Delivering this year's large order to the Board marked a major milestone for BEP.



DCF Plate Printer Cherie Ford visually inspects \$100 notes, which are in high demand during the pandemic.

DCF Production of NexGen \$100 Notes

FY 2021 marked the beginning of NexGen \$100 production at the DCF. The quality and consistency of the NexGen \$100 banknote, BEP's flagship note, is well established and its excellent field performance is a testament to its popularity; however, producing such a high-performance note comes with manufacturing challenges. There are more than 65 manufacturing accommodations for NexGen \$100 production that are not required on other NexGen denominations. To prepare the DCF for NexGen \$100 production, improvements to the quality system and equipment upgrades were



BEP employees, joined by Board and USSS representatives, display a \$100 sheet during verification prior to the pandemic.

implemented through numerous activities and testing, including the Quality Culture Improvement Program (QCIP) and Currency Quality Assurance (CQA) Program. These new and improved processes strengthened BEP and enabled us to begin the methodical process of NexGen \$100 production at the DCF. A detailed validation was conducted and final approval for product release was received in January 2021. DCF production of the NexGen \$100 is an integral part of the BEP production strategy and the necessity to produce \$100 notes in both facilities cannot be overstated. The pandemic has shown

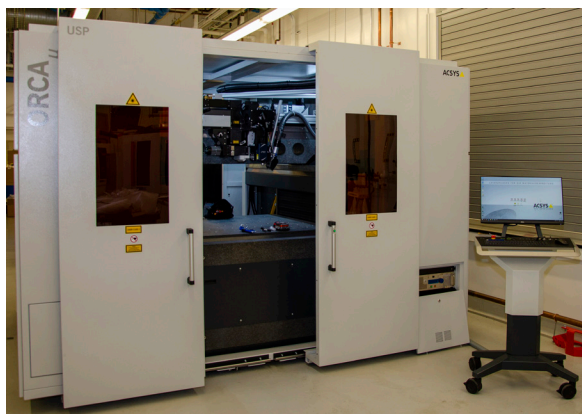
that without a doubt, continuity of operations for BEP means both facilities must be able to produce all denominations to meet increased demand during emergent situations. This achievement is a great enhancement to the resiliency of the USCP.

Catalyst \$10 Progress

FY 2021 included significant progress on design of the next generation of currency notes, known as the Catalyst family, planned for circulation in the coming decade. The genesis of the currency redesign progress began with a pilot project for the Catalyst \$10 note (Pilot). The Pilot was BEP's first effort to leverage the Catalyst family requirements in a comprehensive effort to develop currency within the Banknote Development Process framework and bounded by manufacturing capabilities. Pilot activities included integration of two new public security features, which leveraged the Technology Development Process to promote security, a raised tactile feature, a low vision feature to support individuals with visual impairments, and a new face portrait and back vignette. The project concluded in early FY 2021 and the lessons learned from the Pilot were instrumental in helping the USCP's governance body determine the final down select of the public features chosen for the Catalyst \$10 note. Post Pilot, BEP made tremendous strides in moving the \$10 redesign forward within the Banknote Development Process, having successfully moved forward into Phase 1 (Definition). As we exit FY 2021, BEP is well situated to meet our development schedule through planning activities for Phase 2 (Development). This includes BEP's first production feasibility trial leveraging our newest equipment. The trial is planned for Q2 of FY 2022.

Updated Laser Technology

The BEP's laser engraving technology entered a new era with the arrival of a new Laser System Orca Micron laser engraving machine at the DCF in 2021. The DCF has been using laser pantograph technology for 14 years to engrave plate numbers on the face and back of intaglio plates, note location identifiers and signatures, service medals and other miscellaneous engraving projects. The new laser pantograph will perform these same functions but with improved precision and greater detail, while lessening BEP's environmental impact, as materials used for manual pantograph operations are reduced or eliminated. The new laser engraving machines will improve the current direct-to-plate engraving process by decreasing variability in the laser process to provide a



A front view of the laser pantograph



Director Len Olijar takes a photo of the inside of the new laser pantograph at the DCF

more consistent, quality product. The new technology will also cut back on the use of chemicals such as etching ground, stop-out wax, etching acids, chloroform, and other waste products, along with the costs associated with managing these materials. The BEP began the process of replacing the older laser pantograph in 2019. It took a year to build the new machine, which was longer than anticipated due to delays caused by COVID-19. It was delivered in early December 2020. Installation was completed in February 2021 and underwent Bureau Acceptance Tests (BAT) and validations to verify the overall system functionality, its capability to accept current programs and print test sheets. Employee training started in February 2021 and will be followed by a gradual phase-in of placing plates on a press. The installation of the new laser pantograph represents a three-to five-year effort to ensure BEP facilities are equipped with the most up-to-date technology available. An initial machine will be installed at the WCF and a second machine at the DCF. The BEP continues to leverage technology to help us respond more quickly to the increased threat of counterfeiting and the demand for secure and trusted currency. This generation of laser technology is the next step in BEP's effort to develop the most effective and efficient equipment that will help take us into the future of currency production.

Meaningful Access Developments

The Bureau also continued to develop strategies for meaningful access to currency for individuals who are blind and visually impaired. In FY 2021, BEP completed a manufacturability test at the DCF to evaluate printed raised tactile features (RTF) created using two application methods – intaglio and coated embossed. A unique RTF will be added to each denomination to provide a way for individuals who are blind or visually impaired to identify each denomination via touch. The objective of the test was to determine the viability of putting the RTF onto a banknote using BEP equipment in production-size quantities. During the test, 200,000 sheets were produced with each application method. The testing took eight months to complete and faced disruptions caused by the pandemic, competing production priorities, and limited staff availability from the cross-functional teams. The test results were presented to the governance committee and when combined with results from previous tests, the intaglio application method was approved in December 2020 as the proposed application method for continued RTF development. Testing completion and application approval is significant progress in the RTF development. The next steps are to mature the features before banknote application. Integrating the RTF into our currency remains critical to meeting the needs of individuals with visual impairments.

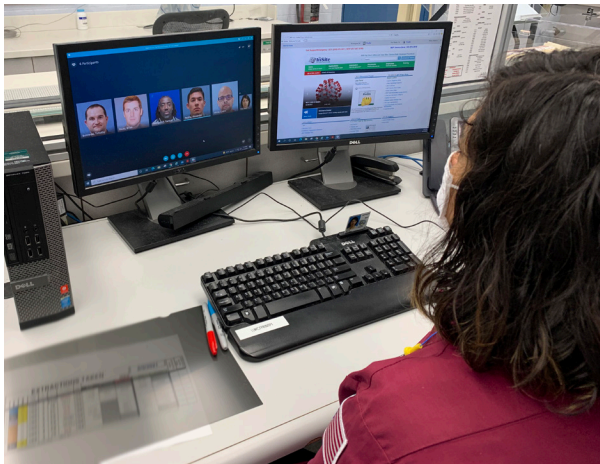


Product Quality Branch Chemist Joseph Piekarski uses a profilometer to measure heights of RTFs.

Improving Processes with Lean Six Sigma

With the unusually high currency demand, and to meet the FY 2021 YCO submitted by the Board, the Bureau looked for ways to build efficiency and streamline certain

processes during the year by adopting Lean Six Sigma tools and methodologies. Specifically, BEP focused efforts on the quality assurance (QA) release processes by holding a workshop, known as a Kaizen event, consisting of a cross-functional team



WCF QA Specialist Valerie Meza meets with, from left, WCF General Engineers Timothy Bukowski and Brian Faust, DCF QA Specialist Samuel Morgan III, DCF General Engineer Alex Padilla and DCF Supervisory Program Analyst Cedric White

across the DCF and WCF over a period of three months. The Kaizen refers to a data-driven improvement cycle used for improving, optimizing, and stabilizing business processes and designs, with a focus on low-effort, high-benefit actionable items. With a specific set of goals for improving the QA release process, the cross-functional team focused on identifying steps that could be combined, that were redundant, or that needed clarification from the point when the lab receives samples to the point when the decision is made to hold or release the process. As a result of the findings and subsequent implementation of the identified solutions, the Bureau is projecting a roughly 40% improvement in cycle time of the QA release process.

The information gained from the event helped management to understand where the bottlenecks were occurring and where to prioritize in implementing practices to mitigate the slowdown. The data is continuing to help streamline procedures between the DCF and the WCF. The Bureau is, and will continue, encouraging all departments to adopt Lean Six Sigma strategies to improve processes and workflow by identifying best practices that decrease lead times, standardize communication, and improve overall efficiency and effectiveness in the workplace.

Uncirculated Currency Shred Request Program

The BEP continued operations of its Uncirculated Currency Shred Request Program, whereby uncirculated currency shreds are provided to law enforcement agencies for K-9 training programs aimed at honing currency detection skills. The shreds support the law enforcement K-9 units' abilities to detect large sums of genuine currency in airports, ports of entry, and in general investigative searches. The continuation of the program is important as BEP is the sole source of uncirculated currency shreds for K-9 units throughout the U.S. To manage operation of the program during the COVID-19 pandemic,



WCF Public Affairs Specialists Ellen Villeneuve, left, and Jorge Pineda oversee BEP's Uncirculated Currency Shred Request Program. They are pictured processing boxes for shipment to a requesting law enforcement K-9 unit during the COVID-19 pandemic.

BEP shifted resources and responsibilities amongst departments. This allowed the Bureau to continue providing this service and process 60 requests to-date since the start of the pandemic. In fielding the requests from law enforcement agencies across the country, BEP partners with the U.S. Secret Service. Requests are initially made through the U.S. Secret Service field offices, who verify the identity of the requestor and the legitimacy of the need. Once a request is verified, a shipment is generated consisting of one to five 8-pound boxes of uncirculated currency shreds. The shreds are provided by the Bureau's Product Security Branch. To fulfill the requests for bags of shreds in bulk quantity, a manual shredder is used on uncirculated currency identified as requiring shredding. The boxes are then prepared and sealed with the witness of security personnel. All requests are closely monitored and controlled, and the average turnaround time is about four to five days. The BEP is committed to continuing this service, as the program presents the Bureau with a unique opportunity to provide a valuable resource to the law enforcement community across the U.S.

WCF Environmental Excellence Awards

The WCF won two awards during the City of Fort Worth Water Department's 23rd annual Environmental Excellence Awards Ceremony on November 3, 2021. During the virtual ceremony, the WCF was honored with the Pretreatment Stewardship Award, which is the highest-level pretreatment award of the four levels: Star, Associate, Partnership and Stewardship. The WCF received the award for 12 years of 100% compliance. The WCF also received a Pollution Prevention Award for its Offset Printing VOC Reduction Project, which involved connecting the Simultan presses to the Regenerative Thermal Oxidizer to reduce the volatile organic compounds produced by the WCF. The maximum emissions are anticipated to be less than 5 tons per year. The project illustrates the WCF's commitment to the environment and the City of Fort Worth.



From left, Electro-Machine Shop Operations Manager Jimmy McCollum, Associate Director of Manufacturing (WCF) Ron Voelker, Environmental Branch Supervisory Engineer Virginia Baldwin, LEPE/Offset/COPE Operations Manager Vernon Hathaway and Facilities Management Division Manager Marc Dijamco pose in the Wastewater Treatment area at the WCF.

Profile of the Bureau of Engraving and Printing

The BEP's mission is to develop and produce United States currency notes, trusted worldwide. The Bureau began printing currency in 1862. The Bureau operates on the authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations are financed by a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed through product sales for direct and indirect costs of operations, including administrative expenses. In 1977, Public Law 95-81 authorized the Bureau to include an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products. This eliminated the need for direct annual appropriations from Congress.

The Bureau produces U.S. currency and many other security documents issued by the federal government. Other activities at the Bureau include engraving plates and dies; manufacturing certain inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with customer requirements. In addition, the Bureau provides technical assistance and advice to other federal agencies in the design and production of security documents, which because of their innate value or other characteristics require counterfeit deterrence. The Bureau also performs reviews of the Federal Reserve Banks' unfit currency operations, whereby banknotes that are no longer fit for circulation are taken out of circulation, accounted for and destroyed. Additionally, BEP is responsible for the accountability and destruction of internally generated security waste products. As a service to the public, the Bureau also processes claims for the redemption of mutilated paper currency.

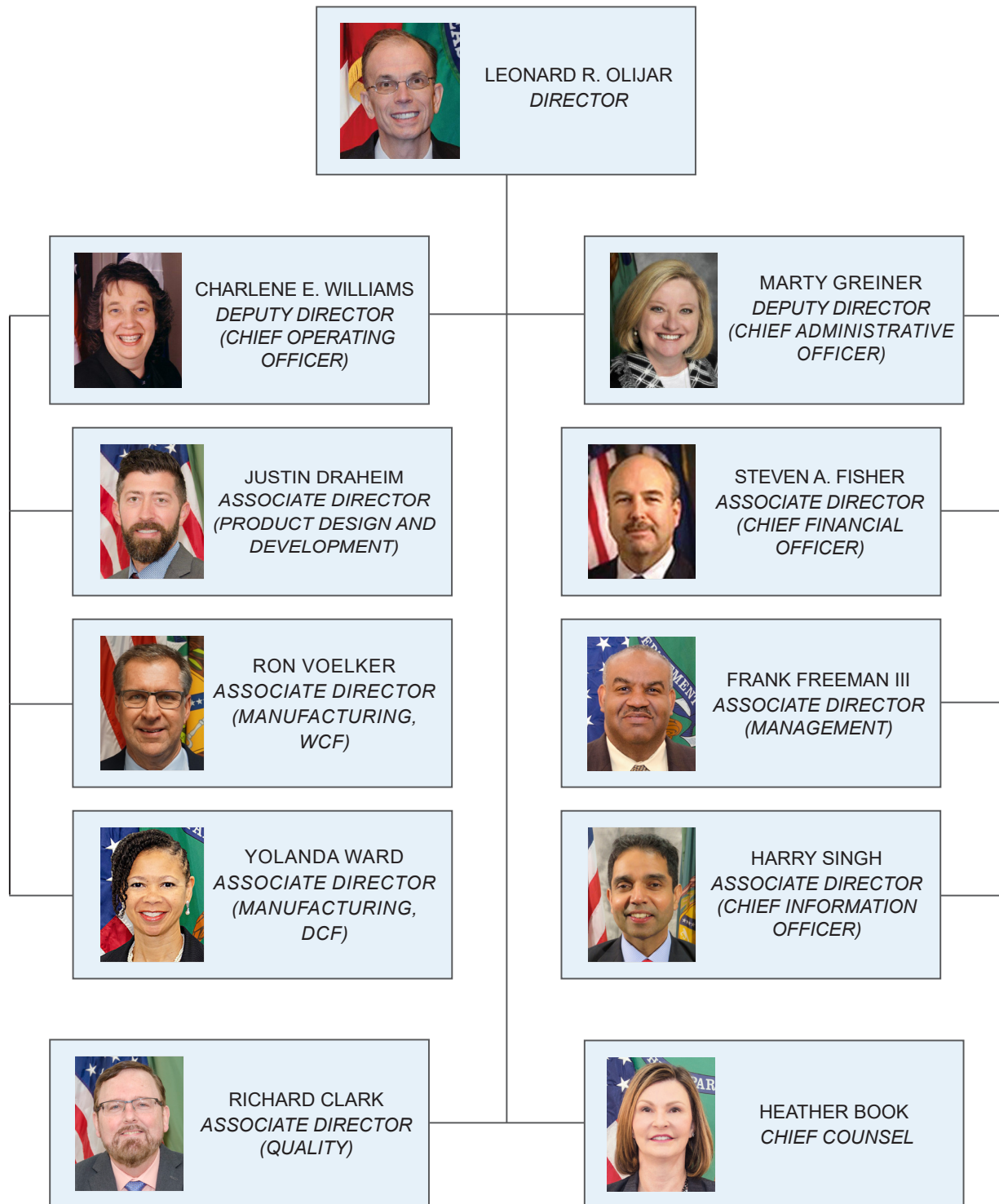
The Bureau occupies three government-owned facilities. The Main and Annex buildings, located in Washington, DC, house research and development activities and produce Federal Reserve notes and other security products. The Main Building became operational in 1914 and the Annex Building in 1938. The WCF, in Fort Worth produces only Federal Reserve notes. It began operations in 1991. The WCF was constructed to provide increased production capacity, reduce transportation costs, streamline the manufacturing process and enhance the nation's emergency preparedness.

In addition to housing production operations, during ordinary times, free tours of the currency production process are available to the public at both facilities. The tours include visitor centers with currency manufacturing displays, interactive kiosks and other information about the history of our nation's currency. The visitor centers also sell uncut currency sheets, vignettes of engravings and other collectibles. During 2021, public tour operations and visitor centers remained temporarily closed as a precautionary measure due to the ongoing COVID-19 pandemic. The souvenirs remain available for sale through mail order and on the U.S. Mint's website.

Organization

The organizational structure of BEP is displayed in the following chart. The Bureau's senior executive structure consists of the Director, a Deputy Director (Chief Operating Officer), a Deputy Director (Chief Administrative Officer), seven Associate Directors and the Chief Counsel. Various planning committees and subcommittees report to the Senior Executive Team (SET). The planning committees and subcommittees are composed of a cross-section of Bureau senior and midlevel managers that represent diverse organizational units. By cutting across organizational lines, these groups serve to promote effective communication, increased collaboration, and participative, proactive management.

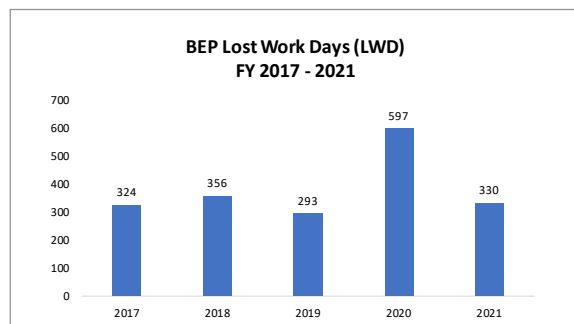
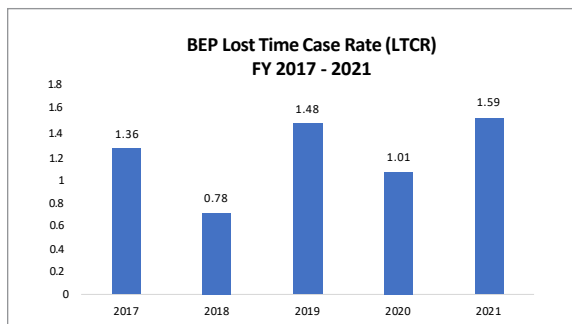
2021 Executive Organizational Structure



Safety, Health and Environmental Management

The BEP's Office of Environment, Health and Safety (OEHS) at the DCF and the Safety and Occupational Health Branch (SOHB) at the WCF manage programs that reduce the Bureau's environmental impact and protect workers from injuries and illnesses. The Bureau's environmental management system conforms to International Organization for Standardization (ISO) 14001:2015, an internationally recognized standard focused on managing and improving environmental, health and safety programs. Continual improvement of BEP's ISO 14001 management system is demonstrated by the positive results of the ISO 14001 third-party audits and long-term improvements in key performance metrics. The Bureau's goals are to maintain a downward trend in occupational injury and illness rates and to continue to minimize the environmental impact of operations while continuing to produce a high-quality product. The BEP engages personnel at all levels and many EHS improvements were made as a result of employee suggestions, technical work groups and projects led by safety and environmental professionals.

The BEP's key performance indicators for safety include recordable lost time cases per 100 employees (LTCR) and lost workdays (LWD) as defined by the Occupational Safety and Health Administration (OSHA). The OSHA recordable lost time case rate is calculated by multiplying the number of lost time cases by 200,000 (hours worked annually by 100 workers) divided by BEP's total number of hours worked. In FY 2021, the LTCR increased and LWD decreased from the previous fiscal year.



The Bureau's LTCR in FY 2021 was 1.59 lost time cases per 100 employees. This represents a 57% increase from last year's rate of 1.01. This increase is attributable to an increase in employees returning to work as mitigation efforts in response to COVID-19 were implemented and restrictions eased. The BEP's number of lost workdays decreased 16% as compared to the previous four-year average. This decrease is largely attributable to our continued focus toward returning employees back to work in a light and limited-duty capacity. OEHS and SOHB will continue to work to prevent injuries and illnesses through hazard anticipation, evaluation and controls,

including engineering controls and administration controls such as training, employee awareness and job safety analyses. Personal Protective Equipment (PPE) will be utilized effectively to control hazards until additional engineering and process changes can be put into effect or as a last resort when other controls do not adequately control the hazard.

During FY 2021, BEP performed health and safety risk assessments for a number of departments to proactively identify hazards and develop targeted controls. In response to COVID-19, BEP implemented numerous safety and health measures including enhanced cleaning, social distancing, temperature screenings, issuance of mandatory PPE, use of social distancing and contact tracing devices, and encouragement of all employees to get the COVID-19 vaccine by offering additional administrative leave hours as well as onsite vaccine administration at its facilities. The BEP also provided supervisor and manager training through the Department of Labor Employees' Compensation Operations & Management Portal. In FY 2022, we will strive to:

- Continue EHS efforts to prevent the spread of COVID-19 within the workplace.
- Implement the Salesforce software solution to document and track inspection and audit findings.
- Continue to focus on hazard identification and incident prevention and enhance coordination with the Occupational Health Units to achieve comprehensive injury case management and accelerate the return of employees to work.
- Improve injury trend analysis to include incorporating case management data from workers compensation specialists in examining the severity of injury types.

Protecting the Environment

In 2021, the COVID-19 pandemic continued to profoundly impact the Bureau's operations, causing an increase in currency demand over the Bureau's FY 2020 YCO, an extended shutdown of noncritical nonproduction operations and projects, and extensive telework among portions of BEP's workforce. Since the beginning of the pandemic, BEP's OEHS personnel have been closely involved in efforts to ensure critical production operations continued safely, in accordance with guidance provided by the CDC and in compliance with all applicable regulations. In comparison to FY 2020, the number of notes the Bureau printed on intaglio presses increased by 18.7%, while the generation of regulated wastes (air, water and industrial solid wastes) increased by 23.4%. The increase is due to the increase in the number of notes produced, the higher percentage of notes printed on 32-subject sheets, and the temporary cessation of the BEP pre-wipe intaglio ink recycling program. The BEP reduced greenhouse gas (GHG) emissions by 0.6% year-over-year from FY 2020, which is attributable to the completion of energy efficiency projects, increased renewable energy purchases at the DCF and the WCF and milder winter weather. Since FY 2008, BEP has reduced its GHG emissions from facility energy use by 40.5%, for an average reduction of 3.1% per year. Currently, 20.2% of BEP's total electricity comes from renewable energy sources.

The following are specific examples of ongoing projects with significant environmental benefits:

Single Note Inspection (SNI) Process – In FY 2021, BEP continued to develop and use SNI, a process that reclaims individual notes that pass quality standards from sheets of currency that contain at least one defective note. Previously, BEP shredded all sheets that contain at least one defective note. Each sheet contains either 32 or 50 notes. SNI is currently run on \$1, \$5, \$20 and \$100 currency notes. The BEP reclaimed 258.1 million notes at the WCF and 37.5 million notes at the DCF in FY 2021, which diverted 309.7 tons of currency wastepaper materials from municipal solid waste disposal. Without reclaiming these notes, BEP would have used an additional 51.7 tons of ink and 3.5 tons of solvent to complete its currency order and would have generated an additional 875,000 gallons of wastewater, 2.1 tons of air pollutants and 75.5 tons of industrial solid and hazardous wastes.

Wiping Solution Recycling Plant (WSRP) – Wastewater generated from onsite pretreatment of wiping solution is the Bureau's largest industrial waste stream. The WSRP can either clean used water-based solution for reuse on currency presses or can produce 100% fresh (unrecycled) wiping solution. During FY 2021, the system was only used to generate fresh wiping solution. The DCF implemented process improvements during FY 2021 that are expected to enable the facility to increase its use of recycled wiping solution, and the facility is developing plans to resume wiping solution recycling during FY 2022.

Replacement Currency Facility – OEHS is significantly involved in the DC-area Replacement Facility Project. The new facility will allow BEP to consolidate its DC-area production and warehouse facilities in a modern production facility, and incorporate a variety of sustainable features to lower the Bureau's environmental impact and to provide a safer worksite for BEP employees. The new facility will be designed to meet Leadership in Energy and Environmental Design Silver classification and will include interior and exterior water efficiency and recycling features, low air pollutant emissions and a 5-megawatt rooftop solar array. The new facility is expected to improve the energy efficiency of BEP's DC operations and to reduce the Bureau's carbon footprint. (See page 22 for further details on BEP's facilities modernization efforts).

High-Efficiency Lighting Systems – The DCF and the WCF are upgrading interior lighting by installing LED lamps through large areas at both facilities. LED lamps reduce energy consumption and provide a better lighting experience and work environment while also reducing fluorescent bulb breakage and hazardous waste disposal costs. At the DCF in FY 2019, BEP re-lamped office areas and common spaces, saving 1,960 megawatt hours (MWh) per year of electricity and reducing GHG emissions by 677.5 metric tons of CO₂ per year. In FY 2020, BEP initiated the second phase of this project, the re-lamping of production wings, which is expected to save an additional 1,850 MWh of electricity per year and to yield a GHG emissions reduction of 604 metric tons of CO₂/year when it is completed. This project is planned for completion in FY 2022. At the WCF, the re-lamping project is expected to provide an annual savings of 1,238 MWh and 877 metric tons of GHG emissions.

Plant Optimization Systems – The WCF is implementing a Central Plant Optimization project to increase plant efficiency through predictive control machine learning technology, and adjusting the chillers, heat exchangers, pumps, boilers, cooling towers and other plant equipment in order to achieve optimal efficiency. The plant modeling will be conducted during the project, but a conservative 5% annual energy savings is estimated to be 540 MWH and 383 metric tons of GHG. The project commenced during FY 2021 and is targeted for completion in FY 2022.

Improved Air Handler Efficiency – During FY 2021 the DCF awarded a contract to install variable frequency drives (VFDs) on 19 air handlers at the facility. This was initiated during FY 2021 and will be completed during FY 2022. The BEP estimates this project will reduce annual energy consumption by 20 Btu, which will yield a GHG reduction of 1,940 metric tons.

The BEP is deeply committed to reducing its environmental impact and improving the safety of its employees and plans to undertake a variety of projects in FY 2022 to achieve these ends. The DCF will focus on optimizing its operation of the WSRP to increase recycling rates and improve water and energy efficiency. The BEP will continue to strive to increase process efficiency and reduce spoilage through projects such as SNI, implementing the process on additional denominations in the future. The BEP plans to install and begin to test a Physical Vapor Deposition (PVD) plating system in FY 2022. This new system utilizes a technology that is expected to facilitate the eventual phase out of electrolytic hard chromium plating at BEP. PVD systems result in far lower environmental impacts than electrolytic plating processes. The BEP will also evaluate laser-to-plate engraving technologies that have the potential to replace nickel electroplating in the future. To reduce energy consumption and GHG emissions, the DCF will continue to re-lamp production wings with LED lighting and install VFDs at the air-handling units in these areas. The WCF plans to complete its Central Plant Optimization project, install energy efficient cool white PVC roofing in selected areas, and replace older air compressors with newer, more energy efficient models. Execution of these planned projects will facilitate continued reductions in environmental impacts and improvements in employee health and safety, in line with BEP's long-standing commitment to proactive and responsible environmental stewardship.

Strategic Plan

The Bureau supports Treasury's Strategic Plan by providing trusted and secure U.S. currency notes for use by the public. The implementation of BEP's five-year strategic plan (2018-2022) continues. This plan serves as a roadmap to guide the Bureau toward the goal of creating an environment that will ensure high quality, cost-effective and flexible business operations for years to come. The Bureau remains resolute in producing quality currency, controlling costs, being environmental stewards and working safely as we move toward the vision of being a world-class securities printer. To accomplish its goals, the Bureau will rely on the ingenuity, industriousness and commitment of every employee to meet the challenges of printing currency in the 21st century. This will require the near-perfect alignment of innovative design, advanced manufacturing technology and a highly skilled workforce.

The Bureau has three strategic goals:

- (1) **Execution** – To safely and in a timely manner deliver quality products to stakeholders in a cost-effective and environmentally responsible manner.
- (2) **Innovation** – To create innovative designs, processes and products that exceed our stakeholders' expectations.
- (3) **Excellence** – To achieve overall excellence by balanced investment in people, processes, facilities and technology.

These goals help support BEP's overall mission and focus on key issues that affect the organization and its employees. These goals are emphasized through the following seven objectives:

Meet customer expectations: Consistently deliver high quality products and services that meet or exceed customer expectations and requirements.

Improve quality: Enhance the quality assurance system to assure efficient and effective note production, optimized production support, and administrative processes and practices.

Deliver new features and capabilities: Develop, implement and deliver new and effective security features, and provide meaningful access to blind and visually impaired individuals.

Develop next family of banknotes: Develop and test banknotes containing new overt and covert security features to deter counterfeiting.

Modernize production facilities and equipment: Create state-of-the art manufacturing systems to support 21st century manufacturing capabilities that will allow for the continued delivery of secure and accessible currency for all.

Modernize and protect information technology: Modernize and protect information technology while keeping current functionality cost-effective operational through transitions.

Improve organizational efficiency, effectiveness and sustainability: Enhance efficiency and effectiveness of Bureau business functions that sustain operations to consistently deliver timely and high-quality products and services that meet customer expectations.

Build workforce of today and tomorrow: Create and sustain a high performing, results-driven workforce that consistently demonstrates high levels of teamwork, collaboration, job satisfaction and pride in organizational, team and individual work accomplishments.

The Bureau has positioned itself to meet its strategic goals and related objectives from operational, developmental and resource perspectives. It will uphold its tradition of excellence by taking advantage of opportunities to maintain a diverse and talented workforce, enhance product quality, promote counterfeit deterrence and streamline its manufacturing process.

Facility Modernization

During FY 2021, the Bureau continued to make great strides in its efforts to build a better BEP by expanding the WCF and planning for the replacement of the Washington, DC production facility. The new DC-area replacement facility, coupled with strategic renovations and improved utilization of existing space, will allow BEP to meet the growing demand of our global products with an unprecedented, renewed commitment to quality.

WCF Expansion Project

The crucial work of expanding the WCF continued in 2021. The WCF expansion project is critical to BEP’s future production capabilities, to provide more efficient facilities for producing the nation’s currency while also providing production space for additional equipment required as we plan for new and innovative security features. Significant progress was made on the new south production area, one of the main components of the project. The south production area will house a new vault and Single Note Inspection (SNI) equipment. The additional vault will double capacity and put the WCF in a strategic position to expand inventory levels. The SNI equipment allows BEP to inspect finished currency offline using state-of-the-art technology and will ensure our finished notes meet our stringent quality standards. Significant progress was also made on the administrative addition, with the second-floor renovation space to be available for occupancy by various departments and divisions including Facilities; Environment, Health and Safety; Personnel Security; Information Technology (IT); and Training. The new layout of the administrative addition and expansion will improve functionality across the departments and increase capacity for a growing workforce. The new data center will support future IT requirements for a growing BEP. Work continued on other project and renovation areas including the construction and relocation of the north perimeter security fence, the west expansion, and new plating line. Once completed, the WCF expansion project will provide more than 300,000 square feet of production, storage and administrative space to support new equipment and processes that will enable BEP to meet future currency requirements.



WCF Expansion Project: Interior of administrative addition



WCF Expansion Project: West production area



WCF Expansion Project: Exterior of administrative addition

DC-area Replacement Manufacturing Facility

The DC-area Replacement Manufacturing Facility Project continued to move forward during the year, despite the pandemic and its associated logistical challenges. For the past few years, BEP has been working towards building a smaller, highly-efficient production facility to continue to meet the needs of the nation's economy. During 2021, BEP continued making excellent progress on the planning and design. In partnership with the Army Corps of Engineers, the Environmental Impact Statement (EIS) for the proposed site at the Henry A. Wallace Beltsville Agricultural Research Center (BARC) in Beltsville, Maryland was completed and made public during the year. The EIS addressed the project and its possible impact on local wildlife, natural resources, archeological items, the surrounding community and transportation infrastructure. Additionally, the design team completed a 35% schematic design deliverable. Plans call for a one-story, secure, environmentally-friendly building with ample parking for employees and a public space for visitors. As BEP moves closer to realizing an updated, more efficient and modern production facility, this landmark achievement will position BEP to effectively and efficiently produce currency well into the future.



New DC-area Manufacturing Facility: Rendering of front



New DC-area Manufacturing Facility: Aerial renderingfront

Currency Quality Assurance Program

U.S. currency notes have increased in complexity to incorporate improved counterfeit deterrence, machine readability and raised tactile functionality. The \$100 note has truly evolved into a high-tech consumer good, and BEP will continue to design currency with the same emphasis on security for the next generation of banknotes. Managing this increased complexity in a way to maintain fitness and reliable use in commerce has required many improvements in BEP's quality assurance systems and processes. In 2021, greatly increased currency demand also created the need to verify and validate new production processes to optimize high quality production output. The Bureau continued to implement the Currency Quality Assurance (CQA) program that provides a long-term roadmap of improvement objectives and tasks to drive Quality System maturity. CQA identifies and implements improvements across the organization and integrates and aligns the current ISO 9001:2015 certified Quality Management System (QMS) with the development of innovative currency designs and technologically advanced security features, new equipment and processes, and ever-higher quality and environmental demands to produce trusted U.S. currency at high volume and exceptional value.

A robust CQA program is necessary to address every aspect of the U.S. currency lifecycle: from product development and acquisition of material, through process and production control, to final release and delivery. Significant improvements in the QMS, CQA program and Lean Six Sigma areas continue to be made to ensure secure U.S. currency at world-class quality levels.

Quality Policy

In FY 2021, the Bureau lived up to its Quality Policy Statement: "Everything we do supports producing secure, high quality banknotes that meet customer requirements. We are committed to continually improving our products and processes and investing in our employees and equipment to enable that improvement." The BEP clearly demonstrated this commitment by maintaining extremely low defect rates and very high Sigma Quality Levels in finished notes during a very challenging year.

Priority Initiatives

In FY 2021, the Bureau's major priority was trying to fulfill its mission during a time of greatly increased currency production demands while also dealing with the consequences of the COVID-19 pandemic. Despite these pressures, the Bureau continued to deliver excellent customer value and experience in alignment with Treasury strategic goals and objectives. The Bureau continued to implement and execute plans and initiatives to maintain the quality of the nation's currency, leveraged technology to effectively support quality management systems, and engaged and developed its people to build sustainability for the future.

In FY 2021, the CQA program successfully completed 32 improvement initiatives as part of the CQA Roadmap leading toward long-term quality systems maturity. A major priority and success for 2021, considering historically high currency demand, was starting \$100 production at the DCF in a way that maintained focus on quality, progressing through a robust verification and validation process.

Customer Satisfaction and Communications

The Bureau tracks customer satisfaction with the Board based on three performance success factors: on-time-in-full deliveries, quality at expected levels, and delivered cost at the agreed upon levels. In FY 2021, the Bureau met every factor at 100% for every month of the year, demonstrating excellence in customer satisfaction and delivery. The Quality Directorate holds a biannual Corrective and Preventative Actions (CAPA) review with the Board to review and discuss investigations into quality defects and quality concerns. This provides an added layer of communication demonstrating that the Bureau takes quality concerns seriously and follows up effectively to address the concerns.

Quality Assurance

In 2021, the Bureau made improvements to its Quality Assurance Release Processes to reduce the overall required cycle time with lower levels of onsite staffing to mitigate risks related to COVID-19 and to allow for expedited processing at increased shipment levels. New procedures were implemented to reduce COVID-19 risks while still effectively performing all necessary quality assurance steps. Some of these steps included reassigning people from high-density work areas, installing protective barriers in close work areas, and rearranging work areas and workflows to allow for adequate social distancing.

Quality Management Controls

The Quality Management System Review (QMSR) provides a regular forum for the SET to assess the effectiveness of the ISO 9001:2015-certified QMS and to identify quality improvement activities, issues and risks. In FY 2021, the Quality Directorate completed an initiative to improve the QMSR by better documenting the management review process. The Quality Audit Program is also a key program driving continuous improvement of the QMS and assuring conformance to the ISO 9001:2015 requirements. The Bureau's Quality Audit team performs both internal and external supplier audits helping to assure excellent quality performance. For 2021, because of the pandemic, the challenge for the Quality Audit team was moving to virtual formats for both internal and external (supplier) audits. The audit team demonstrated flexibility and resilience in making this transition and successfully completed their audit schedule for the year.

Supplier Management

Effective supply chain management is also a part of the CQA program, assuring critical quality materials and parts are available when needed. In 2021, supply chain

improvements were sustained, reducing requisition backlogs to ensure critical quality materials were provided when needed so customer deliveries could be met. Round-robin laboratory testing with suppliers helped build strong coalitions with a focus on quality.

Material Controls

Work in the material controls area continues to focus on raw material key characteristics, inspection of incoming materials, material traceability, final quality release process improvement and supply chain activities. The materials control focus goal is to improve raw material performance, reduce costs and improve material quality. In FY 2021, a new charter for the Material Review Board (MRB) was developed and implemented with a focus not only on material nonconformance, but also to provide oversight to ensure the proper inspection of incoming materials occurs. More than 100 materials were reviewed to determine inspection requirements. Inspection plans were documented and approved for more than 60 materials and many more are being developed and are scheduled for review by the new MRB.

Data Analytics

In FY 2021, a new project related to note traceability and Big Data made significant progress. The project helped in understanding the factors required to drive data analytics maturity. It is a multiphase project that will span several years. The Bureau now has a better understanding of what will be needed to manage the exponential growth in data coming from new production processes, new automated inspection systems and new requirements for tracing data related to quality processes, process parameters and materials.

Corrective and Preventative Actions

The Corrective and Preventative Actions (CAPA) process provides a mechanism to identify, track and correct the causes of nonconformances or potential nonconformances pertaining to printing U.S. currency. These nonconformances are identified during day-to-day operations, through customer complaints, and internal and external quality audits. Continual improvement of CAPA centers on more rigorous root-cause investigations and thorough documentation of the corrective action plans.

The CAPA system has matured through the continual focus, effort and leadership of the Quality Directorate staff. A well-defined process governs the system and has led to continuous improvement related to the functioning of the system. The CAPA process continues to be an effective, mature quality process.

2021 Key Quality Assurance Accomplishments

The Bureau conducted virtual supplier audits that resulted in suppliers improving their processes to ensure delivery of high-quality raw materials used in manufacturing U.S. currency. Supplier management as a whole continues to take on a more collaborative approach.

QA specialists worked with BEP's Manufacturing Directorate to assure product quality using a newly created QA Specialist Data Collection Tool that tracks not only defects, but also the corresponding remediation efforts to address those defects. This new tool has made in-process QA work more effective.

In 2021, the Bureau awarded contracts for QMS program and project management support. The contracts leveraged contractor resources to improve calibration records management, the Change Control Board, the Material Review Board and QMS documentation. They also supported other document control and updates.

Program Performance Measures

The Bureau employs the use of program performance measures to quantify the effectiveness and efficiency of its overall organizational performance. On an annual basis, the SET develops standards based on the prior year’s performance, price factors and anticipated productivity improvement. Actual performance against standard depends on the Bureau’s ability to meet annual spoilage, efficiency and capacity utilization goals established for currency production.

Bureau-level performance measures and associated results for 2021 are:

	2021 Standard	2021 Actual
1. Federal Reserve notes (cost per thousand notes)	\$63.64	\$61.81
2. Federal Reserve notes delivered (billions)	6.8	7.0
3. Productivity change 2020 to 2021	6.3%	14.3%
4. Currency spoilage	7.6%	6.3%

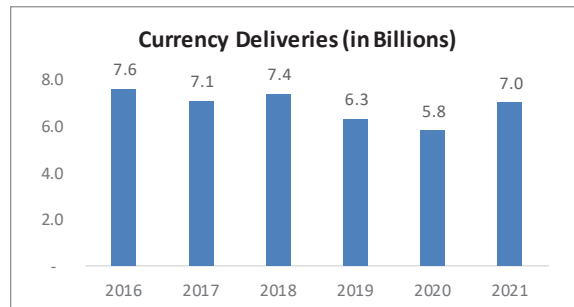
The Bureau does not receive a direct annual appropriation; Bureau operations are financed by a revolving fund that is reimbursed through product sales. Customer billings are the Bureau’s only means of recovering the costs of operations and generating funds necessary for capital investment. Billing rates are based on established cost standards, which are predicated on historical costs and factors such as changes in labor, material and overhead costs. To ensure sufficient cash is provided for operations, the Bureau must perform to these standard costs.

	2021 Standard	2021 Actual
Federal Reserve notes (cost per thousand notes)	\$63.64	\$61.81

The actual production cost per thousand currency notes, which includes direct labor, materials and applied manufacturing overhead, was below standard in 2021. This was due to material savings achieved from lower than expected spoilage.

	2021 Standard	2021 Actual
Federal Reserve notes delivered (billions)	6.8	7.0

In 2021, the Bureau produced and delivered nearly 7.0 billion Federal Reserve notes to the Board. Deliveries and billings are based on orders received from the customer. The Board submits their requirements for currency deliveries to the Bureau on an annual basis. For 2022, the initial order from the Board was a range of 6.9 billion to 9.7 billion notes. As we have dealt with the pandemic, BEP continues to meet with the Board and make adjustments as necessary.

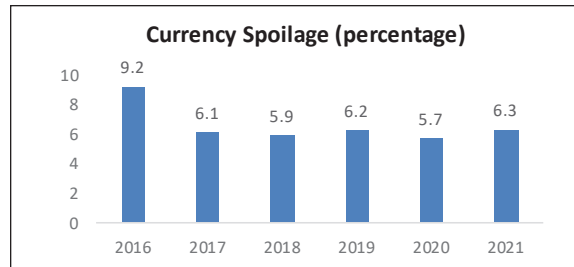


	2021 Standard	2021 Actual
Productivity change 2020 to 2021	6.3%	14.3%

Productivity is calculated based on units of output per labor hour. In 2021, overall productivity increased by more than what was projected. This resulted from additional production by BEP to meet the Board's increased 2021 currency order.

	2021 Standard	2021 Actual
Currency spoilage	7.6%	6.3%

Spoilage, an inherent result of any production process, is an important indicator of the overall effectiveness of the production process and quality of material inputs. In 2021, overall currency spoilage was below established standards, led by the reclamation process of the \$1, \$5, \$20 and \$100 notes; work continues on the reclamation process for the remaining denominations. The BEP quality system continues to mature to self-sustaining status; spoilage was well below standard and the Bureau began reclamation of \$1 notes during the year.



	2019	2020	2021
1. Federal Reserve notes (cost per thousand notes)	\$51.01	\$56.19	\$61.81
2. Federal Reserve notes delivered (billions)	6.3	5.8	7.0
3. Productivity change 2020 to 2021	-13.9 %	-10.5 %	14.3%
4. Currency spoilage	6.2 %	5.7%	6.3%

For those performance measures that are comparable, the results of the past three years are presented. New cost and spoilage standards are developed annually for all product lines produced at the Bureau. Because performance to standard is a meaningful performance measure only in the applicable year, only actual manufacturing cost and spoilage data are presented.

Prompt Payment

To ensure that federal agencies pay invoices in a timely manner, Congress passed the Prompt Payment Act and the Office of Management and Budget (OMB) issued Circular A-125, which is now codified as part of the Code of Federal Regulations (CFR). Generally, the CFR requires payment within 30 days from the latter of either the receipt of a proper invoice or acceptance of the goods/services. If this time frame is not met, an interest penalty must be paid to the vendor. Within Treasury, the standard for the late payment rate is that no more than 2% of the invoices subject to prompt payment shall be paid late (at least 98% are paid within 30 days).

The BEP's prompt payment performance for the past three years is presented below.

	2019	2020	2021
Number of invoices paid late	59	151	19
Interest paid	\$4,469	\$11,277	\$1,377
% of invoices paid late	1.42%	3.23%	0.36%

There was a decrease in percentage of invoices paid late and interest penalties in FY 2021. In FY 2020, BEP established a cross-functional team comprised of staff from the Office of Financial Management, the Office of the Chief Procurement Officer, the Office of Compliance and the Office of Supply Chain Management. Together this team worked on various process improvements, which yielded a significant improvement in the Bureau's prompt payment performance rate in FY 2021. The team continues to collaborate on a biweekly basis to ensure that Bureau's prompt payment performance rate is within Treasury's acceptable range of 2%.

Management Discussion and Analysis

Please read the following in conjunction with the Financial Statements and Notes thereto and selected financial data included elsewhere in the Performance and Accountability Report.

Cash

Cash decreased by \$70.7 million in 2021 due to expenditures on capital investment projects exceeding the amount of cash recovery. Cash flows provided by operations for the years ending September 30, 2021, and September 30, 2020, were \$59.8 million and \$83.8 million, respectively.

Accounts Receivable

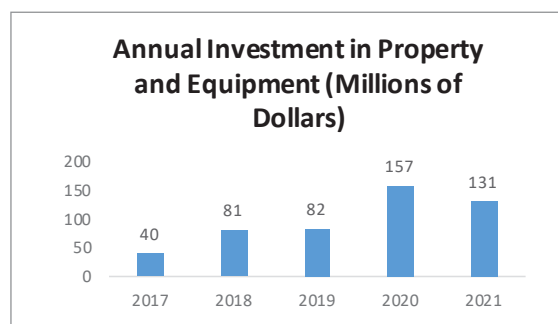
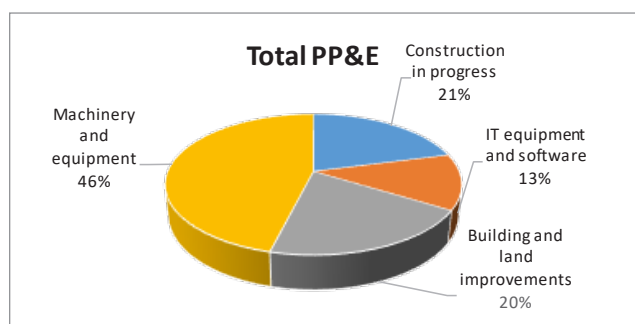
Accounts receivable increased by \$37.4 million in 2021. This was due to an increase in billings to the Board for associated currency production and the WCF Expansion Project in the final month of the year as compared to the final month of 2020.

Inventories

Net inventories increased by \$5.3 million in 2021. The increase is a result of additional inventory stores as currency production increased to meet the large YCO from the Board.

Property and Equipment

Net property and equipment increased by \$83.9 million in 2021. The increase is attributed to capital investments in currency manufacturing equipment and construction projects in excess of depreciation.

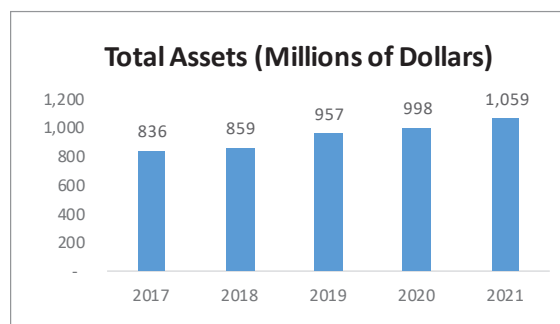
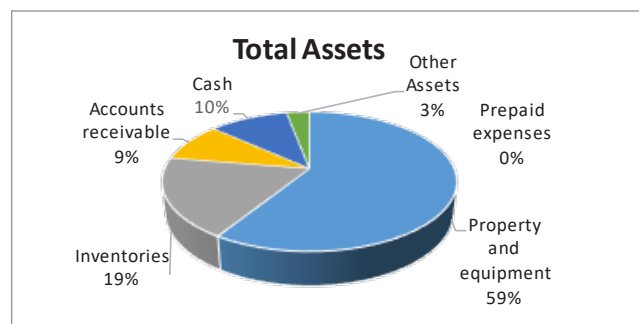


Prepaid Expenses

Prepaid expenses decreased by \$0.1 million from the prior year due to a reduction to the prepaid advance for the currency reader program with the Library of Congress.

Other Assets

Other assets increased by \$5.7 million in 2021. The increase was related to increased receipt of repair part inventories in 2021.



Accounts Payable

Accounts payable increased from \$24.2 million in 2020 to \$29.0 million in 2021 as a result of an increase in purchases of raw materials and other supplies in the last month of the fiscal year to meet the large currency order for 2021 and in preparation for the increased currency order in 2022.

Accrued Current Liabilities

Accrued current liabilities decreased from \$39.1 million in 2020 to \$38.6 million in 2021. This resulted primarily from additional financial commitments in the last quarter of 2020 for incentive compensation to frontline workers and Bureau efforts during the pandemic.

Advances

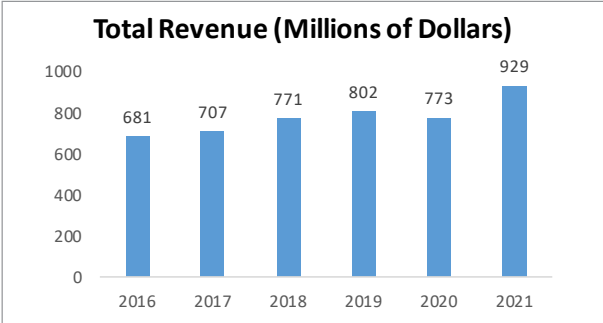
Advances decreased from \$8.4 million in 2020 to \$7.7 million in 2021 primarily due to unsettled mutilated currency claims.

Workers' Compensation Liabilities

The actuarial workers' compensation liability decreased from \$57.8 million in 2020 to \$54.4 million in 2021. The decrease in the actuarial liability primarily resulted from a decrease to the component percentage allocated to BEP.

Revenue from Sales

Overall, revenue from sales increased from \$773.2 million in 2020 to \$928.9 million in 2021. This \$155.7 million increase is mainly attributable to an increase in sales of currency to the Board.

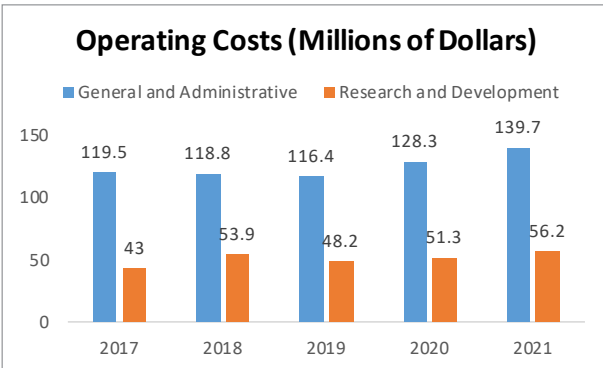


Cost of Goods Sold

Cost of goods sold increased from \$570.6 million in 2020 to \$671.7 million in 2021. The \$101.1 million increase is due, in large part, to increased orders for higher cost \$20 and \$100 currency notes from the Board to meet increased demand for these notes during the pandemic. Additionally, increased costs were incurred to maintain production operations at historically high levels while maintaining safe operations for front line staff.

Operating Costs

Operating costs increased by \$16.3 million in 2021 as BEP responded to the considerable challenges of operating during the pandemic. Additional costs were incurred to upgrade IT and communication capability, improve cybersecurity, and provide expanded onsite health services for BEP frontline employees.



Legal Compliance

The Bureau is committed to ensuring its financial activities are carried out in full compliance with applicable laws and regulations. To ensure this responsibility is met, financial managers direct annual reviews of financial operations and program compliance with applicable laws and regulations. For 2021, the Bureau complied substantially with all laws and regulations considered material to internal control over financial reporting.

Federal Managers' Financial Integrity Act Plans and Accomplishments

The Federal Managers' Financial Integrity Act (FMFIA), passed in 1982, requires agencies to perform regular evaluations of internal controls and financial management systems to protect against waste, fraud and abuse. The subsequent passage of the Chief Financial Officers Act, the Federal Financial Management Improvement Act and the Sarbanes-Oxley Act of 2002 further increased the internal control requirements.

The Bureau has a history of strong internal controls and an aggressive monitoring program. Key elements of this program include comprehensive financial management controls, personnel security controls, production and quality controls, computer security and information resources management controls, and strong physical security and product accountability functions to safeguard products and assets. The Bureau's strategic plan reflects this emphasis. Security, accountability and resource management are major strategic goals.

To enhance product accountability, the Bureau maintains an Accountability Help Desk at its facilities in Washington, DC and Fort Worth. The help desks are staffed with personnel knowledgeable in all aspects of the Bureau's accountability system. They provide training and day-to-day assistance to accountability system users to prevent, minimize or resolve product accountability issues. In addition, they review and update existing accountability procedures and reports to provide the controls needed to properly track and account for Bureau securities.

Ongoing efforts to improve internal controls include compliance reviews and an active internal control awareness program. The Bureau conducts compliance review tests (CRTs) at both facilities to promote compliance with operating policies and procedures by performing unannounced reviews in production, storage and offline components that have custody of security items. During 2021, BEP performed 52 unannounced reviews. The results of the reviews were reported to office chiefs, supervisors and managers responsible for enforcing policies and procedures, and implementing corrective actions.

The Internal Control Awareness Program is used to promote the visibility and understanding of internal control issues, objectives and requirements. Internal review personnel conduct management and organizational reviews at both facilities to strengthen the Bureau's internal controls, ensure compliance with existing policies and procedures, and safeguard assets. The Bureau's quality management system for the production of U.S. currency and the environmental management system are ISO 9001 and 14001 registered, respectively. The Bureau's ISO Lead Auditor trained staff to support the maintenance and continuous improvement of the quality and environmental management systems by conducting regular audits throughout the organization.

The Bureau's Internal Control Policy Committee provides overall guidance and coordination to the internal control program and fosters a management environment in which accountability for results and cost-effective controls are maintained to ensure the reliability of financial reporting, effectiveness of operations, and compliance with applicable laws and regulations. The committee is comprised of senior level executives and is chaired by the chief financial officer.

The accompanying financial statements and annual audit are important elements in the stewardship of the Bureau's revolving fund. For the 37th consecutive year, the Bureau received an unmodified opinion on its financial statements from an independent, certified public accounting firm. Additionally, management assessed the effectiveness of internal control over financial reporting, and concluded the Bureau maintained effective internal control over financial reporting based on criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management-Integrated Framework and the requirements of Appendix A of OMB Circular A-123, "Management's Responsibility for Internal Control." The unmodified audit opinion on the financial statements, management's assessment of effective internal control over financial reporting, and the FMFIA review process ensure the integrity of the revolving fund and the reliability of financial data used for managerial decision-making.

In 2021, the Bureau's chief information officer (CIO) continued to emphasize increased security and accountability, standardization of Bureau hardware, software, and IT-related processes and enhanced governance of the IT program and resources. In IT security, 100% of the Bureau's Major Applications and General Support Systems were accredited in order to meet the requirement for certification and accreditation at least every three years. Additionally, BEP remains committed to full implementation of the National Institute of Standards and Technology (NIST) SP800-53 and SP800-53A management, operational and technical controls for IT systems as well as 100% implementation of the United States Government Configuration Baseline for Microsoft software and NIST approved configurations for other operating systems and databases.

Manufacturing Support Suite (MSS) is the Bureau's enterprisewide financial and manufacturing application that uses the Oracle E-Business Suite. The system is "cloud-based" and hosted by the Oracle Managed Cloud Service (OMCS). MSS is a fully integrated business solution that has reduced manual processes, increased efficiency, improved data quality and provided real-time enterprise data and information for improved decision-making. As part of its commitment to ongoing monitoring of IT security controls, the system's security team within the CIO Directorate executes quarterly Separation of Duties analyses on all MSS user responsibilities to determine if new conflicts between permissions were created. These ongoing assessments allow the Bureau to detect and mitigate risks associated with user permissions and controls.

In an effort to improve the overall security posture of BEP's information systems, the Office of Critical Infrastructure and IT Security (OCIITS) worked closely with the Office of Compliance (OC) to implement corrective action plans for Notice of Finding and Recommendations (NFRs) resulting from the FY 2020 financial audit. The CIO Directorate also participated in the FY 2021 Financial Statement Audit and A-123 audit on BEP's MSS financial system. OCIITS supported the audit efforts by facilitating

direct observation meetings and providing security artifacts requested by the auditors. The BEP continues to design and implement controls to comply with the OMB Circular A-123, Management's Responsibility for Internal Control and the Government Accountability Office's Federal Information System Controls Audit Manual standards, in order to support the annual audited financial statements.

In compliance with BEP's security parameters and SP NIST 800-53 Rev 4 guidelines on privileged account management, the CIO Directorate conducted the annual review and recertification of MSS privileged user accounts and responsibilities. The CIO Directorate is responsible for coordinating the review process with business owners to evaluate the business need for each MSS user, including responsibilities granted, and the removal/modification of user accounts and privileges based on access requirements to perform business needs. The FY 2021 recertification successfully resulted in the removal of 899 user privileges that were no longer required to perform a business need.

The CIO Directorate is an active participant in Treasury Critical Infrastructure Protection Planning efforts, including testing of Continuity of Operations Planning (COOP) responses through governmentwide and Treasurywide exercises. The Directorate also tests and executes disaster recovery plans for the Bureau's major systems that support financial operations such as MSS on a biannual basis. Before the end of FY 2021, the CIO Directorate planned and executed an assessment of IT security controls for BEP systems hosted onsite and at OMCS. These onsite assessments tested security controls across a number of IT security control families to determine if these controls were designed and operating effectively. Testers examined artifacts and reviewed all available system specific security documents. Evaluated security controls were determined to be operating effectively as of September 30, 2021. The CIO Directorate is issuing a report outlining any assessment findings and recommendations for use by BEP's CFO.

Custody of Assets

In addition to the production of currency, the Bureau has many high-value items used for various purposes such as research, product testing and historical reference. Consequently, the Bureau has a unique fiduciary responsibility to the American public with respect to the custody and safeguarding of its assets and high-value items.

Currency products and other items used in testing, experimental research and other offline activities normally are expensed immediately and are not carried as assets in the Bureau's financial statements. While the costs expensed may be immaterial to the financial statements, many of these items have high intrinsic value. Therefore, the Bureau ensures that strong controls are in place to properly safeguard these items. Also, the Bureau has display areas at each of its facilities and maintains historical collections at its facility in Washington, DC. The displays and historical collections include valuable artifacts related to currency and the former postage stamp operations as well as other securities produced by the Bureau. While these collections are not included in the inventory balances as reported in the financial statements, appropriate custodial records and controls are maintained.

In order to effectively manage its fiduciary and custodial responsibilities, the Bureau has implemented effective internal control and security systems. To ensure these systems are functioning properly, management has institutionalized an organizational focus on the safeguarding and accountability of all assets. This focus is reflected in the Bureau's organizational structure. Reporting to the CFO, who has oversight responsibility with respect to internal controls, is the Office of Compliance. This office evaluates and monitors internal control systems and maintains a comprehensive product accountability system. The Office of Security, which reports to the associate director for management, plans, administers and monitors the Bureau's security programs. These programs include personnel, physical and operational security, and securities destruction.

Through this structure, individual unit managers are held accountable and responsible for maintaining proper custody and safeguarding of all assets under their control. Although the Bureau does not hold title to any land or facilities, it maintains custodial control over the buildings occupied in Washington, DC and Fort Worth.

Assurance Statement

The Bureau, including the organizations under our purview, is responsible for meeting the objectives of Section 2 and Section 4 of the Federal Managers' Financial Integrity Act (FMFIA), as well as implementing the requirements of the Federal Financial Management Improvement Act (FFMIA), Digital Accountability and Transparency Act, and the Reports Consolidation Act of 2000. The implementation guidelines related to these Acts are included in the internal control requirements of the Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The objectives of OMB Circular A-123, including its appendices, are to ensure: (1) alignment of strategic goals with the agency's mission; (2) effective and efficient operations; (3) reliable reporting; and (4) compliance with applicable laws and regulations.

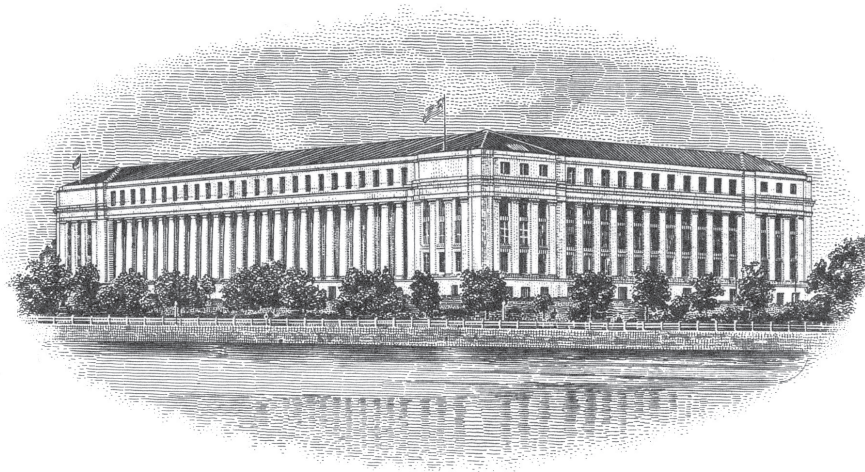
Management is responsible for managing risks and maintaining effective internal control and financial management systems that meet the objectives of the FMFIA. Risk management practices that identify, assess, respond to, and report on risks are taken into account when designing internal controls and assessing their effectiveness. We conducted our assessment of risk and internal controls in accordance with OMB Circular A-123 and OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk. Based on the results of this assessment, we provide reasonable assurance that the internal controls over strategic, operational, reporting, and compliance objectives were operating effectively as of September 30, 2021.

In addition, we conducted an assessment of our financial management systems in accordance with OMB Circular A-123, Appendix D, Compliance with the FFMIA. Based on the results of this assessment, our financial management systems substantially comply with FFMIA Section 803(a) as of September 30, 2021.

As part of our evaluation process, we considered the results of extensive testing and assessment across the organization and independent audits.

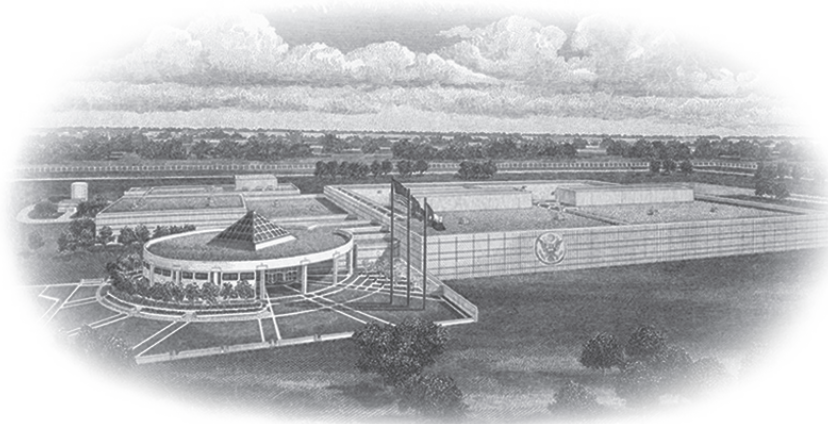
Summary of Office of Inspector General Audits

The Bureau began FY 2021 with 11 open recommendations. The Office of Inspector General (OIG) issued 16 new recommendations during FY 2021. These pertained to training, policy, and/or procedural adherence and internal controls. The Bureau implemented corrective action on 22 recommendations during the year. There are five open recommendations outstanding.



Limitations of the Financial Statements

The following financial statements are for the Bureau of Engraving and Printing, a component of the Department of the Treasury. As such, the statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. The principal financial statements have been prepared to report the financial position, results of operations and cash flows of the Bureau. They have been prepared from the Bureau's financial books and records maintained in accordance with private sector generally accepted accounting principles. These statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

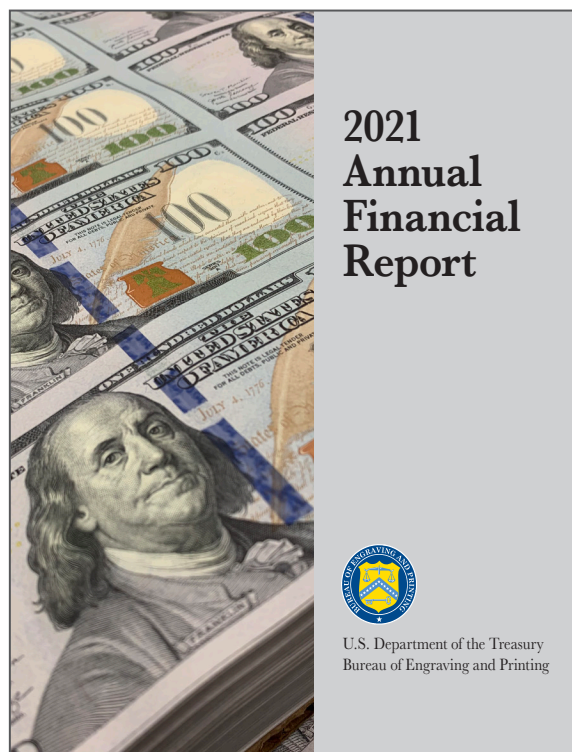


**Department of the Treasury
Bureau of Engraving and Printing**

Financial Statements

Years ended September 30, 2021 and 2020

(With Independent Auditors' Reports Thereon)



**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	44
FINANCIAL STATEMENTS	46
Balance Sheets	46
Statements of Operations and Cumulative Results of Operations	47
Statements of Cash Flows	48
Notes to the Financial Statements	49



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

Independent Auditors' Report

The Deputy Inspector General, U.S. Department of the Treasury and
The Director of the Bureau of Engraving and Printing, U.S. Department of the Treasury:

Report on the Financial Statements

We have audited the accompanying financial statements of the Bureau of Engraving and Printing (the Bureau), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of operations and cumulative results of operations, and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bureau of Engraving and Printing as of September 30, 2021 and 2020, and its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Reporting Required by Government Auditing Standards

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered the Bureau's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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* or OMB Bulletin No. 21-04.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bureau's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
December 17, 2021

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Balance Sheets

As of September 30, 2021 and 2020

	2021	2020
	(In Thousands)	
ASSETS		
Current assets		
Cash (Note 3)	\$ 110,048	\$ 180,770
Accounts receivable (Note 10)	95,678	58,290
Inventories (Note 4)	197,214	191,960
Prepaid expenses	221	369
Total current assets	403,161	431,389
Property and equipment, net (Note 5)	624,221	540,369
Other assets, net (Note 6)	31,849	26,135
Total assets	\$ 1,059,231	\$ 997,893
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities (Notes 7 and 8)		
Accounts payable	\$ 28,969	\$ 24,156
Accrued liabilities	38,631	39,075
Advances	7,684	8,444
Total current liabilities	75,284	71,675
Workers' compensation liability (Note 8)	59,607	63,282
Total liabilities	134,891	134,957
Contingencies and commitments (Notes 12 and 13)		
Equity		
Invested capital	32,435	32,435
Cumulative results of operations	891,905	830,501
Total equity	924,340	862,936
Total liabilities and equity	\$ 1,059,231	\$ 997,893

See accompanying notes to the financial statements.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Statements of Operations and
Cumulative Results of Operations

For the Years Ended September 30, 2021 and 2020

	2021	2020
	(In Thousands)	
Revenue from sales (Note 10)	\$ 928,941	\$ 773,166
Cost of goods sold	671,676	570,603
Gross margin	257,265	202,563
Operating costs:		
General and administrative expenses	139,675	128,306
Research and development	56,186	51,254
	195,861	179,560
Excess of revenues over expenses	61,404	23,003
Cumulative results of operations at beginning of year	830,501	807,498
Cumulative results of operations at end of year	\$ 891,905	\$ 830,501

See accompanying notes to the financial statements.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Statements of Cash Flows

For the Years Ended September 30, 2021 and 2020

	2021	2020
	(In Thousands)	
Cash flows from operating activities		
Excess of revenues over expenses	\$ 61,404	\$ 23,003
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	46,637	43,687
Loss from obsolescence of other assets	938	822
Gain from disposal of property and equipment	(3)	-
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	(37,388)	1,814
(Increase) Decrease in inventories	(5,254)	7,871
(Increase) Decrease in prepaid expenses	148	(108)
(Increase) Decrease in other assets	(6,652)	(10,959)
Increase (Decrease) in accounts payable	4,813	1,851
Increase (Decrease) in accrued liabilities	(444)	8,439
Increase (Decrease) in advances	(760)	2,287
Increase (Decrease) in workers' compensation liability	(3,675)	5,090
Net cash provided by operating activities	59,764	83,797
Cash flows from investing activities		
Purchases of property and equipment	(130,486)	(156,719)
Net cash used in investing activities	(130,486)	(156,719)
Net increase (decrease) in cash	(70,722)	(72,922)
Cash at beginning of year	180,770	253,692
Cash at end of year	\$110,048	\$180,770

See accompanying notes to the financial statements.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

1. Reporting Entity

The Bureau of Engraving and Printing (Bureau), a component of the United States (U.S.) Department of the Treasury, is the U.S. Government's security printer. The Bureau designs and produces U.S. currency. The Bureau also advises and assists federal agencies in the design and production of other U.S. Government documents requiring counterfeit deterrence or secure production.

The Bureau operates under basic authorities conferred by the Act of July 11, 1862, (12 Stat. 532; also, 31 U.S.C. 5114) and other laws and regulations. In accordance with the provisions of Public Law 81-656, effective August 4, 1950, the operations of the Bureau are financed by means of a revolving fund. This fund is reimbursed through billings to the Bureau's customers for products delivered. Public Law 95-81 authorized the Bureau to include in its product prices an amount to provide funding for the acquisition of capital equipment and future working capital. Invested capital represents the historical value of the initial contribution made by the Federal Government.

The financial statements represent the consolidation of a federal Revolving Fund and a Deposit Fund. The majority of all financial transactions are contained in the Bureau of Engraving and Printing Revolving Fund, which finances Bureau operations. The Mutilated Currency Claims Fund, which is a Deposit Fund, is used to redeem damaged paper currency received from the public. All significant balances and transactions between the funds have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Bureau has historically prepared its financial statements in conformity with U.S. generally accepted accounting principles (GAAP), based on accounting standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. Under such standards, the Bureau prepares its financial statements using the full accrual basis of accounting under which revenues are recognized when earned and expenses are recognized as incurred, regardless of when cash is exchanged.

The Federal Accounting Standards Advisory Board (FASAB) has been designated by the American Institute of Certified Public Accountants as the standards-setting body for financial statements of Federal Government entities, with respect to the establishment of GAAP. FASAB has indicated, however, that financial statements prepared based upon accounting standards published by the FASB may also be regarded as in conformity with GAAP for those federal agencies, such as the Bureau, that have issued financial statements based upon FASB accounting standards in the past. Accordingly, consistent with historical reporting, the Bureau's financial statements are presented in accordance with accounting standards published by the FASB. Accordingly, consistent with historical reporting the Bureau's financial statements are presented in accordance with accounting standards published by the FASB. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related revenues and expenses. Those estimates most significant to the Bureau's financial statements are the actuarial estimates made by the U.S. Department of Labor (DOL) in arriving at the liabilities for workers' compensation, allowances for obsolescence, the useful lives of property and equipment, the likelihood of losses associated with contingent liabilities, and certain accrued expenses at the date of the financial statements. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

Cash

Cash represents the aggregate amount of the Bureau's funds held on deposit with the U.S. Treasury and are available to pay liabilities.

Inventories

Raw material and supply inventories are stated at standard cost, except for one advanced counterfeit deterrent material, which is valued using the first-in-first-out (FIFO) method. Finished goods inventories are valued at standard cost by denomination. All methods approximate actual cost. Cost elements included in work-in-process and finished goods inventories are direct materials, direct labor, manufacturing overhead and manufacturing support.

Any raw materials inventory determined obsolete is immediately expensed resulting in no allowance for inventory obsolescence for raw materials.

Property and Equipment

Property and equipment are recorded at cost. Major alterations and renovations are capitalized, while maintenance and repair costs are charged to expense as incurred. The capitalization threshold is \$50,000. The Bureau capitalizes all cost associated with new construction and building improvements.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The Bureau is not charged for the use of the buildings or land, but is responsible for maintenance and repair of all buildings and land improvements. The land and building shell for the Bureau's Western Currency Facility (WCF) were donated by the City of Fort Worth, Texas to the U.S. Department of the Treasury (See Note 5).

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Machinery and equipment	3 - 15 years
Building improvements	3 - 40 years
Information technology (IT) equipment and software	3 - 5 years
Office machines	5 - 10 years
Furniture and fixtures	5 - 10 years
Motor vehicles	3 - 9 years

Other Assets

Other assets consist principally of machine repair parts and tools, which are used in the production of the Bureau's products. Other assets are stated at standard cost, which approximates actual cost, net of a reserve for obsolescence.

Employee Retirement Plans

Bureau employees participate in the contributory Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS), to which the Bureau and employees make contributions according to plan requirements. Consistent with reporting under multi-employer pension plans, the Bureau does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the Office of Personnel Management (OPM).

Postretirement Benefits Other than Pensions

Postretirement benefits for former Bureau employees, specifically health care costs and life insurance, are administered and paid by OPM through appropriations received from the U.S. Government. The Bureau does not reimburse OPM for these payments. The Bureau's financial statements do not include the cost of employee postretirement benefits paid by OPM, or the actuarial liability for such benefits.

Workers' Compensation Costs

The Federal Employee Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for the Bureau's employees under FECA are administered by DOL and are ultimately paid by the Bureau.

The FECA liability consists of two components. The first component, the accrued FECA liability, is based on actual claims paid by DOL but not reimbursed by the Bureau. The Bureau reimburses DOL for the amount of actual claims normally within one to two years after payment is made by DOL. As a result, the Bureau recognizes a current and non-current liability for actual claims paid by DOL, to be reimbursed by the Bureau.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future workers' compensation estimates were generated by DOL from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future worker's compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payment and medical payments. Discount rates as of September 30, 2021 were 2.231% and 2.060% for wages and medical in year one and subsequent years, respectively. Discount rates as of September 30, 2020 were 2.414% and 2.303% for wages and medical in year one and subsequent years, respectively. The U.S. Department of the Treasury allocated the overall liability to Treasury components based on past claims paid information provided by DOL.

Annual, Sick, and Other Leave

Annual leave is accrued as a liability when earned and the accrual is reduced as leave is taken. The balance in this accrued liability account reflects current pay rates.

Sick leave and other types of non-vested leave are expensed as the leave is taken.

Revenue Recognition

Revenue from sales to the Federal Reserve Board is recognized when finished goods satisfactorily pass all Bureau quality control standards and are delivered to the on-site depository vaults designated for the Federal Reserve Board and are available for immediate shipping by the Federal Reserve Board. Finished goods are released for shipment in accordance with customer requirements. Revenue from the sale of uncut currency to the public is recognized at the time the product is shipped. The Bureau does not record an allowance for returns because of a historically negligible return rate. Additionally, on a quarterly basis BEP bills the board and recognizes Revenue related to actual expenses incurred for WCF expansion costs and the new D.C. Facility.

Tax Status

The Bureau is a federal entity, and therefore is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is made in the accompanying financial statements.

Contingencies

Liabilities from loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation cost can be reasonably estimated. Loss contingencies that do not meet these criteria, but are reasonably possible and estimable are not accrued, but are disclosed in Note 12.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

Fair Value Measurements

FASB Accounting Standard Codification (ASC) 820-10, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Bureau's financial instruments are comprised of cash, accounts receivable, accounts payable, accrued liabilities, and advances as of September 30, 2021 and 2020, respectively. The carrying amounts of these financial instruments approximate fair value because of the short-term nature of these instruments. The Bureau holds no financial instruments that are required by ASC 825-10, *Financial Instruments - Overall*, to be valued, reported, or disclosed at fair value as of September 30, 2021 or 2020.

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2021 and 2020:

	(In Thousands)	
	<u>2021</u>	<u>2020</u>
Bureau Revolving Fund	\$ 102,364	\$ 172,327
Mutilated Currency Claims Fund	7,684	8,443
Total	<u>\$ 110,048</u>	<u>\$ 180,770</u>

The balance in the Mutilated Currency Claims Fund, consisting of advances available to process claims for mutilated currency submitted for redemption by the public (including banks), is offset by a liability to the public, which is included in advances on the balance sheets as of September 30, 2021 and 2020, respectively (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2021 and 2020:

	(In Thousands)	
	<u>2021</u>	<u>2020</u>
Raw material and supplies	\$ 74,530	\$ 63,356
Work-in-process	76,756	57,148
Finished goods - currency	14,215	39,336
Finished goods - uncut currency	26,487	26,415
E-Reader inventory	5,226	5,705
Total	<u>\$ 197,214</u>	<u>\$ 191,960</u>

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2021 and 2020:

	(In Thousands)	
	2021	2020
Machinery and equipment	\$ 711,092	\$ 702,293
Building and land improvements	312,123	306,913
IT equipment and software	197,180	180,397
Office machines	1,685	1,685
Furniture and fixtures	1,339	1,339
Donated assets - art work	125	125
Motor vehicles	175	175
Leasehold improvements	230	230
	1,223,949	1,193,157
Less accumulated depreciation	923,055	877,381
	300,894	315,776
Construction-in-progress	323,327	224,593
Net property and equipment	<u>\$ 624,221</u>	<u>\$ 540,369</u>

Depreciation expense for the years ended September 30, 2021 and 2020 was \$46.6 million and \$43.7 million, respectively.

The majority of the increase in construction-in-progress from 2020 to 2021 was due to an increase in spending for progress payments for the acquisition of new production equipment. Equipment spending occurred primarily on the WCF Intaglio Presses, \$100 Finishing Line, Quicksilver Rotary, and Non-sequential Large Examining and Printing Equipment for WCF. The increase in spending on construction projects occurred primarily on the WCF Expansion, but also included additional spending on the DC Production Facility Program.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The land and building shell for the Fort Worth, Texas facility were donated by the City of Fort Worth to the U.S. Department of the Treasury in 1987, which holds the title thereto. At the time of donation, the land had an appraised value of \$1.5 million and the building shell cost was \$5.6 million. In accordance with the provisions of Public Law 81-656, Bureau financial statements include only the costs to build out the facility.

6. Other Assets, net

Other assets consist principally of machine repair parts and tools. The allowance for obsolescence for these parts and tools for years ended September 30, 2021 and 2020 was \$18.7 million and \$17.8 million.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2021 and 2020:

	(In Thousands)	
	2021	2020
Intragovernmental	\$ 5,080	\$ 4,974
With the public	70,204	66,701
Total	<u>\$ 75,284</u>	<u>\$ 71,675</u>

Accrued current liabilities consist of the following as of September 30, 2021 and 2020:

	(In Thousands)	
	2021	2020
Payroll	20,514	19,585
Annual leave	13,593	14,937
Workers' compensation	4,315	4,233
Other	209	320
Total	<u>\$ 38,631</u>	<u>\$ 39,075</u>

Advances consist of the following as of September 30, 2021 and 2020:

	(In Thousands)	
	2021	2020
Mutilated Currency	\$ 7,684	\$ 8,443
Other	-	1
Total	<u>\$ 7,684</u>	<u>\$ 8,444</u>

8. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2021 and 2020, but not yet reimbursed to DOL by the Bureau, are approximately \$9.5 million and \$9.7 million, respectively, of which approximately \$4.3 million and \$4.2 million represent a current liability, as of September 30, 2021 and 2020, respectively. The Bureau will reimburse DOL for these claims in the next two years. The Bureau's estimated non-current, actuarially derived future workers' compensation liability was approximately \$54.4 million and \$57.8 million as of September 30, 2021 and 2020, respectively. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately \$71.9 million and \$79.1 million as of September 30, 2021 and 2020, respectively.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were \$28.7 million and \$24.2 million for fiscal years 2021 and 2020, respectively. The CSRS employer contribution rate for fiscal years 2021 and 2020 was 7.0%. The FERS agency contribution rate was 17.3% and 13.7% for fiscal years 2021 and 2020, respectively. The cost of providing the CSRS and FERS benefits is more than the amounts contributed by the Bureau and the employees to OPM. The additional cost of providing benefits, including the cost financed by OPM, which is not included in the Bureau's Statements of Operations, totaled \$32.9 million and \$32.1 million in 2021 and 2020, respectively.

OPM paid costs totaling \$13.9 million and \$12.9 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2021 and 2020, respectively. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling \$18.1 million and \$17.4 million for the FEHBP and FEGLI programs in 2021 and 2020, which are included in the Bureau's Statement of Operations.

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2021 and 2020, the Bureau's sales revenue from these organizations as well as the outstanding amounts due from them as of September 30, 2021 and 2020, are reflected in the following table:

	Revenue		Accounts Receivable	
	(In Thousands)		(In Thousands)	
	2021	2020	2021	2020
Federal Reserve Board:				
Currency Production	\$ 888,565	\$ 724,074	\$ 76,460	\$ 55,849
WCF Expansion	16,053	37,500	16,053	-
Mutilated Currency	3,939	4,013	1,006	1,003
Meaningful Access	743	543	229	80
New Facility	17,434	988	1,627	1,087
Total FRB	926,734	767,118	95,375	58,019
Other Intergovernmental	2,053	2,349	57	-
Total Intergovernmental	928,787	769,467	95,432	58,019
Total Public sales	154	3,697	-	-
Other	-	2	246	271
	154	3,699	246	271
Total	\$928,941	\$ 773,166	\$ 95,678	\$ 58,290

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

Revenues from other federal agencies are derived principally from the sale of security printing products to U.S. Government agencies and related fees charged.

11. Principal Suppliers

The Bureau is dependent upon sole suppliers for distinctive currency paper and several advanced counterfeit deterrent materials.

12. Commitments and Contingencies

The Bureau is a party in various administrative proceedings, legal actions, and claims brought against the Federal Government by employees, contractors, and other parties. Contingencies for litigations involving the Bureau, where the risk of loss was probable do not exist as of September 30, 2021 and 2020. Contingencies, where the risk of loss is reasonably possible, are approximately \$3.8 million and \$5.1 million as of September 30, 2021 and 2020, respectively. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes that the ultimate resolution of these litigations will not have a material impact on the reported financial position, results of operations, and cash flows.

In 2007, a judge ruled that the current U.S. currency design violates Section 504 of the Rehabilitation Act. The Court awarded no monetary damages. However, the Bureau is required to provide meaningful access to United States currency for blind and other visually impaired persons as part of the next currency redesign. The cost of currency changes necessary to provide meaningful access will be incorporated into future currency redesign costs. No costs related to the Court ruling have been accrued in the accompanying financial statements as of September 30, 2021 and 2020. As an interim measure, the Bureau is providing currency readers, free of charge, to eligible blind and visually impaired individuals.

The Bureau has contracted to purchase printing equipment costing approximately \$259.0 million. As of September 30, 2021, the Bureau has made cumulative payments of \$131.9 million and the remaining commitment outstanding is \$127.1 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. The Bureau entered into an Inter-Agency Agreement with the United States Army Corps of Engineers for the design review, construction, and contract administration of the Western Currency Facility expansion project and a new Washington DC Currency Facility. As of September 30, 2021, the Bureau has obligated \$375.9 million for these projects and has made cumulative payments of \$218.7 million. Progress payments related to the above contracts are included in construction-in-progress within Property and Equipment on the balance sheets as of September 30, 2021.

The Bureau does not carry commercial insurance on its physical assets because by law the Federal Government is self-insured.

At September 30, 2021, 1,136 employees, or 62% of our workforce, were covered by collective bargaining agreements. The BEP collective bargaining agreements exclude pay provision negotiations. There are a total of 19 agreements, of which, two are currently under negotiation. No agreements are set to expire within the next year.

**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING**

Notes to the Financial Statements

September 30, 2021 and 2020

13. Operating Lease

Rental expense for both years ended September 30, 2021 and 2020 was \$3.1 million, respectively.

Future minimum payments under the cancelable lease as of September 30, 2021, are (in thousands):

For the years ending September 30:	Amount
2022	\$3,518
2023	\$3,886
2024	\$3,901
2025	\$3,916
2026	\$3,932
Thereafter	<u>\$1,988</u>
Total	\$21,141

14. Subsequent Events

The Bureau has evaluated subsequent events through 12/17/2021, the date that the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.