FISCAL YEAR

2023

ANNUAL FINANCIAL REPORT

The Bureau of Engraving & Printing

Mission

To develop and produce United States banknotes, trusted worldwide.

Core Values

Integrity • Fairness • Performance • Respect

Vision

To set the world standard for banknotes through excellence in manufacturing and innovation.

A Historical Milestone

The Bureau of Engraving and Printing (BEP or Bureau) was front and center of a new milestone in our nation's history when U.S. Department of the Treasury (Treasury) Secretary Janet L. Yellen and Treasurer of the United States Chief Lynn Malerba unveiled the new Series 2021 Federal Reserve (FR) banknotes (i.e., banknotes) bearing the signatures of two women and the signature of a Native American for the first time. Signatures of the Treasury Secretary and the Treasurer have appeared on U.S. currency since 1914. It is also the first time the signatures of two women appear on U.S. currency. The BEP delivered the first banknotes with Secretary Yellen's and Treasurer Malerba's signatures to the Federal Reserve in December 2022 for circulation. This historic note sends a message around the world that our sisters, wives and daughters are continuing to achieve the equality so many have fought for and for which they continue to strive. With demand for U.S. currency strong and growing, the BEP produced notes circulate to billions of people worldwide. As of July 2023, the U.S. Federal Reserve reported that $2.34 trillion of U.S. currency was in circulation.

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Message from the Acting Director

Charlene E. Williams

It is my honor to serve as the BEP Acting Director and to present our Fiscal Year (FY) 2023 Annual Financial Report. Since I began serving in this new role on August 1, 2023, and in looking back over the accomplishments achieved during the past year, I am extremely proud of the resilience and dedication of our employees, and their collective commitment to the BEP's mission.

For the first time, our nation's currency features the signatures of two women. To celebrate the milestone, the BEP and the Treasury Department hosted a ceremony at the Western Currency Facility (WCF) in Fort Worth, Texas, where Secretary Yellen and Treasurer Chief Malerba unveiled the new notes. The BEP delivered the first Series 2021 U.S. banknotes to the Federal Reserve in December 2022 for circulation. The Bureau accomplished the momentous achievement through hard work and collaboration across the entire organization.

After more than five years, BEP's expansion of the WCF is complete. The expansion adds much needed space for new process capabilities and environmental improvements, additional vault storage, and administrative space to support future generations of currency design and production. The expansion also provides flexibility in anticipation of transitioning production from the current facility in Washington, DC (DCF) to the new currency manufacturing facility in Beltsville, Maryland. The District-area Currency Replacement Facility (DCRF) project is on track to break ground on construction in 2024, with the site and building plans officially approved by the National Capital Planning Commission (NCPC) in April 2023. These facility upgrades – along with our investments in new printing and processing technology – will support the production of the next generation of banknotes with increasingly complex designs.

During FY 2023, BEP fulfilled the Federal Reserve Yearly Currency Order (YCO) on schedule and under budget. In addition, the Bureau shifted focus to essential projects in support of the United States Currency Program's (USCP) long-term initiatives. Through research and development (R&D) of new and innovative security features, and by working in partnership with other USCP stakeholders, the Bureau made great progress towards making the next family of banknotes more secure. The new family of banknotes will incorporate improved counterfeit deterrence features, as well as a raised tactile feature to more easily denominate US currency by the blind and visually impaired community. Additionally, BEP performed testing of the new designs along with testing of other product and process improvements. The Bureau also remediated deferred equipment maintenance, completed equipment upgrades, and installed and validated new equipment. We demonstrated our commitment to environmental stewardship as we continue to significantly reduce the carbon footprint of BEP facilities. Since FY 2008, the BEP has reduced its greenhouse gas (GHG) emissions by 52 percent.

It is a privilege to follow in the legacy of Leonard R. Olijar, who after 35 years of service, retired from the Bureau as Director on July 31, 2023. The BEP achieved many accomplishments under the former Director's leadership, to include retooling operations that increased efficiency and resiliency, investing in employees to build a specialized workforce, and reshaping the Banknote and Technology Development Processes to create a better focus on USCP priorities. The former Director also oversaw enhancement of the Bureau's quality and environmental management systems, while engaging key stakeholders in the redesign of the nation's currency. The BEP will continue to build upon each of these achievements in our work moving forward, as we plan for the future and meet the demand for safe and secure U.S. currency trusted worldwide.

Message from the CFO

Steven A. Fisher

It is my honor to present the BEP's Financial Statements for the FY ended September 30, 2023. In FY 2023, BEP continued its commitment to continual improvement and excellence in financial management. For the 39th consecutive year, the Bureau attained an unmodified opinion on its financial statements, as issued by BEP's independent auditor. I am very proud of the dedicated and talented staff within BEP who have continued this tradition of accountability. The BEP's track record in financial reporting is a testament to the Bureau's core values to be transparent on our financial operations and responsible stewards of USCP resources.

During FY 2023, the BEP delivered 5.7 billion currency notes to the Federal Reserve. In December 2022, the BEP began delivering the new Series 2021 U.S. banknotes to the Federal Reserve which include the signatures of Secretary Yellen and Treasurer Chief Malerba.

This year's currency delivery resulted in revenues of $973.3 million, and an excess of revenue over expenses of $117.3 million. The excess of revenue over expenses provides necessary funding for the BEP's working capital requirements and investments in plant and equipment as authorized by law. Over the past year, the Bureau continued to make investments in expanding and replacing its facilities, updating manufacturing equipment and implementing process improvements. Regarding the investments noted above, BEP installed and put into production new energy-efficient equipment and implemented process improvements which will help reduce operating cost well into the future. For example, the Bureau installed multiple nonsequential Large Examining and Printing Equipment (ns-LEPE) at both facilities. The BEP also continued its multi-year effort to migrate from 32-subject to 50-subject technology and in utilizing single note inspection technology which minimizes product spoilage. These investments enabled the Bureau to reduce cost and increase productivity, which helped the BEP realize savings of more than $16.7 million in manufacturing costs.

Moving forward, BEP will remain focused on quality manufacturing, superior customer service and efficient resource stewardship to effectively position the Bureau to exceed stakeholder expectations. As the organization faces growing challenges and demands, strategic investment in our workforce, cutting-edge technologies and property, plant and equipment will continue to be pillars of the agency's growth strategy.

Steven A. Fisher

Highlights of the Year

During FY 2023, the BEP successfully fulfilled the Federal Reserve's YCO while balancing multiple other key priorities in support of the USCP. For the 39th consecutive year, the BEP earned an unmodified opinion on its financial statements from our Independent Auditors. Among several additional accomplishments during the year, the Bureau also produced and delivered some of the new Series 2021 U.S. banknotes, continued the important work of modernizing facilities and technology while improving efficiencies and reducing environmental impacts, and sought out opportunities to build and maintain a diverse and talented workforce.

BEP Makes History with Series 2021 Currency

Secretary Yellen and Treasurer Chief Malerba unveiled the new Series 2021 U.S. banknotes during an event held by the Treasury at the WCF on December 8, 2022. The Series 2021 banknotes mark a new milestone in our nation's history bearing the signatures of two women for the first time. It is also the first time in U.S. history that the signature of a woman Treasury Secretary appears on FR notes, and the first time U.S. currency features the signature of a Native American. The BEP delivered the first banknotes with Secretary Yellen's and Treasurer Malerba's signatures to the Federal Reserve in December 2022 for circulation.

From left, former Director Olijar (retired), Treasurer Malerba and Secretary Yellen listen as Acting Director Williams, far right, explains the printing process of $1 notes at the WCF.

Letter and Script Engraver Thomas Biles watches as Secretary Yellen engraves a letter onto a production plate using a pantograph machine.

To begin the Treasury event, Secretary Yellen was interviewed by journalist Norah O'Donnell for a "60 Minutes" segment that aired December 11, 2022. After the "60 Minutes" interview concluded, BEP Acting Director Charlene Williams and former Director Len Olijar led a tour with Secretary Yellen, Treasurer Malerba, and more than two dozen national and local media outlets to explain the printing process for the new Series 2021 notes. Following the tour, employees gathered to welcome the Treasury leaders to the WCF, with remarks from Acting Director Williams, former Director Olijar, Treasurer Malerba, and Secretary Yellen, expressing gratitude to the BEP for all the hard work on multiple groundbreaking projects while successfully delivering the nation's currency order, as well as the important role BEP plays in the world's economy.

In addition to visiting the WCF, Treasurer Malerba made a visit to the DCF on April 19, 2023, for the new Series 2021 note-signing event. Employees gathered in the DCF Tour and Visitor Center to meet the Treasurer and exchange currency notes for new Series 2021 $1 notes. The Treasurer personally signed the notes with either her official Treasury title or her Mohegan tribal name, Chief Mutáwi Mutáhash (Many Hearts). Before the event, Treasurer Malerba toured the pre-press operations in Engraving and Platemaking and production operations in the Offset, Intaglio and LEPE sections, witnessing production of the Series 2021 $1 notes that bear her signature.

Assistant Presspersion Charles Snyder II and Treasurer Malerba hold a 50-subject $1 sheet. Also pictured are Printing Plant Worker Mark Isom, left, and Offset Operation Supervisor James Sutherland.

DCRF Beltsville 2024 Groundbreaking

The BEP achieved a significant goal in the establishment of the building site and plans for the DCRF in Beltsville, Maryland, in partnership with the U.S. Army Corps of Engineers (USACE). The National Capital Planning Commission (NCPC) met with the Capital Currency Team on April 6, 2023, and approved the updated site and building plans for the Beltsville facility. The NCPC specifically noted: (1) the environmental plans will help to achieve green sustainability, including the new green roof and photovoltaic solar array; (2) the planned building height and façade are unobtrusive and will blend well with the surrounding natural environment; and, (3) the perimeter security is well-balanced with the existing tree and water resources.

A conceptual rendering of the main corridor of the DCRF.

The BEP received and approved the 65 percent facility design plans from the architectural team in Spring of 2023, which included floor plans, elevations, equipment lists, internal finishes, etc. The next key milestone, expected by the end of December 2023, is the 95 percent design plan submission. Further review and approval of the building and design plans by various stakeholders will keep the BEP on track to break ground on facility construction in 2024. Production is anticipated to begin at the facility in late 2028/2029, pending unforeseen technical issues or interruptions in construction.

WCF Expansion Reaches Successful Conclusion After 5 Years

The Bureau hit another major milestone in 2023 with the completion of the WCF Expansion Project in Fort Worth, Texas. The project has concluded following a multi-year effort that involved a great deal of coordination by countless dedicated employees and contractors. The WCF Expansion Project broke ground in December 2018 and was completed September 2023, with the Ribbon Cutting ceremony taking place September 27-28.

FY 2023 YCO

The FY 2023 YCO was for a range of 4.5 to 8.6 billion notes. As in the past, the BEP and the Federal Reserve adjusted the YCO within these ranges to best match available production with fluctuating currency demand, and the BEP delivered 5.7 billion notes in FY 2023. The 2023 order reflected a heavy shift back to $1 notes (nearly half of the YCO) after several years focused on the global demand for high-denomination notes driven by the pandemic.

In addition, the 2023 YCO supported a shared commitment from the Federal Reserve and the BEP to dedicate some of BEP's production capacity to essential projects supporting the USCP's strategic priorities deferred during the pandemic. During 2023, some of these priorities included (1) producing a new banknote series with the signatures of Secretary of the Treasury Yellen and Treasurer Malerba, (2) remediating deferred equipment maintenance, (3) completing equipment upgrades and (4) installing and validating new equipment.

Former Director Olijar watches Secretary Yellen (middle) and Treasurer Malerba (left) sign note sheets during a visit to the WCF in December.

Bringing Innovation, Safety and Energy Efficiency to BEP

A crane crew sets up to lift the new laser engraving machine into the DCF in January.

To stay ahead of constantly evolving technology in the printing industry, the BEP is continually adding to its arsenal of specialized equipment. In addition to retooling efforts during the year, the DCF Office of Engraving also installed new Physical Vapor Deposition (PVD) equipment that will eventually replace the current intaglio chrome plating process. This change is safer for employees and more environmentally friendly. The PVD equipment will be installed at WCF in 2024. The new equipment is in support of the Treasury Climate Action Plan, providing a reduced environmental footprint compared to the current plating process. The BEP also installed more powerful laser equipment for use in the plate making process, which is more energy efficient and less expensive to operate. In the plate printing process, BEP replaced two machines with new machines that include an improved exhaust system and speed capability, supporting a higher quality product. The DCF installed a new laser engraving machine in January 2023, which will replace the current engraving process.

Replacing the older equipment with new technology will improve the quality of the product, allow employees to work more efficiently, and reduce BEP's environmental impact. Much of the new equipment also includes new safety features, improving the health and well-being of the employees that operate the equipment.

Youth and Public Outreach

Building the workforce of the future is a BEP priority, and youth outreach is part of BEP's Office of Human Resources (OHR) Human Capital Operating Plan. With many young people facing significant barriers related to smaller career networks and a relative lack of experience, federal agencies, including the BEP, are seizing the opportunity to develop a conduit of needed agency skillsets through positive youth engagement opportunities including career fairs, internships, mentoring and employee demonstration opportunities.

The BEP regularly participates in school career and recruitment events. In March, DCF Police Commander Marieo Foster attended a career day at a local elementary school, sharing his perspective on being a police officer and about BEP as an organization. In April, BEP employees participated in the 2023 National 4-H Conference's inaugural Youth Career Fair hosted by the Department of Agriculture. Employees from the Offices of Engraving, Security, Quality, Product Development, External Affairs and Human Resources as well as Currency Manufacturing's Miscellaneous Division represented BEP. Attendees learned about the BEP through the team's exhibit and the fair's career panel discussions.

The BEP also created services and opportunities to connect young people to career pathways at the federal level. The Pathways Program, a federal program designed to help agencies recruit and hire well-qualified students and recent graduates, streamlines processes, and provides applicants with clear paths to internships, part- or full-time employment, and meaningful training, mentoring and career-development opportunities. Pathways has three components: Internship, Recent Graduate and the Presidential Management Fellows Program. In working with youth through shared-value recruitment partnerships, the BEP offers current students, recent graduates and those with an advanced degree paid, on-the-job opportunities to explore and experience federal careers while continuing to pursue their education.

DCF employees at the 2023 Youth Career Fair National 4-H Conference. From left, Police Officer/Corporal Simone Johnson, Interdisciplinary Supervisory Chemist Michelle Rice, Supervisory Human Resource Specialist Joy Griffin, Program Analyst Belinda Smith, Plate Printer Jose Del Toral, Plate Printer Peter David, Plate Printer Mike Beck, General Physical Scientist Daniel Pratt, Intaglio Platemaker Kenny Garner, Human Resource Specialist Sharon Robertson, Lead Public Affairs Specialist Lydia Washington and Police Officer/Corporal Thomas Setnor.

DCF Police Commander Marieo Foster talks about a career as a federal police officer during a presentation to elementary school students.

In addition, OHR hosted its first, public career fair, since the pandemic, at the DCF in September. Over 150 diverse individuals from other federal agencies, private companies, veterans, recent graduates and experienced professionals were in attendance, along with 100 Bureau employees seeking upward mobility and new career avenues. Representatives from each BEP directorate staffed tables showcasing educational displays and work samples particular to their divisions' expertise, from manufacturing to science, technology, engineering, art and mathematics, to administrative. Attendees were able to meet and interview with hiring managers and have their resumes vetted and pre-qualified for available and future positions. OHR also plans to host USAJOBS.gov and resume writing tutorials to assist employees in taking the next step in their careers. OHR and representatives from the Police Officer Division also attended the Women in Federal Law Enforcement's 23rd Annual Career Fair in Tampa, FL on August 15, 2023. Attendees that visited the BEP booth learned about job opportunities and were able to access open job announcements, as well as speak to female BEP police officers about their job duties and working at the BEP.

BEP Readiness

On April 4, 2023, BEP conducted a business continuity of operations tabletop exercise in conjunction with the Federal Reserve and Treasury to review policies, procedures, and general readiness to respond to a supply chain disruption. This exercise allowed BEP to highlight ways to improve its preparation, response, and recovery efforts for a significant disruption. The coordination and communication with BEP's key stakeholders and partners will help to ensure the Bureau is able to maintain continued production and mitigate any impacts a disruption might have on the public. The COVID-19 pandemic highlighted the criticality of government agencies preparing for interruptions caused by unforeseen circumstances. The Bureau remains committed to further improving its emergency and continuity capabilities. The BEP will strive to continue these exercises and associated discussions with its key stakeholders and partners to continuously improve its response policies, communication sharing, and supply chain resilience.

Personnel Security Accomplishments

The Bureau's Personnel Security (PERSEC) offices in Washington, DC and Texas implemented a reformed personnel security program mandated by the Office of Personnel Management (OPM), referred to as *Trusted Workforce (TW)*. Every individual subject to personnel vetting via background investigation will enroll, over time, in the TW process. This effort will substantially enhance the effectiveness of the personnel security program.

As of FY 2023, PERSEC enrolled 100 percent of BEP employees with a national security clearance in the TW program. To improve the efficiency of inducting personnel from both BEP facilities the Office of Security coordinated to undertake a multi-phased Lean Six Sigma project to seek efficiencies while reducing redundancies. This effort was initiated in June 2023.

Simultaneous with the implementation of TW, and the ongoing Lean Six Sigma project, the Office of Security implemented the BEP Adjudications Tracker. This tracker provides an online portal for managers, Administrative Resource Center (ARC) human resources professionals, OHR, designated Contracting Officer Representatives (CORs), and designated Office of Security personnel, to monitor the real-time progress of employees as they progress through the security on-boarding process. This tracker has been instrumental in helping identify process bottlenecks in the security clearance process.

Bureau of Engraving and Printing Profile

The mission of the BEP – which began printing currency in 1862 – is to develop and produce U.S. currency notes, trusted worldwide. 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 a surcharge in an amount sufficient to fund future capital investments. 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 manufacturing engraving plates, dyes and specialized inks; 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 may require counterfeit deterrence due to their innate value or other characteristics. The Bureau also performs reviews of the Federal Reserve Banks' unfit currency operations, in which banknotes that are no longer fit for circulation are taken out of circulation, accounted for and destroyed. Additionally, the 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 currency.

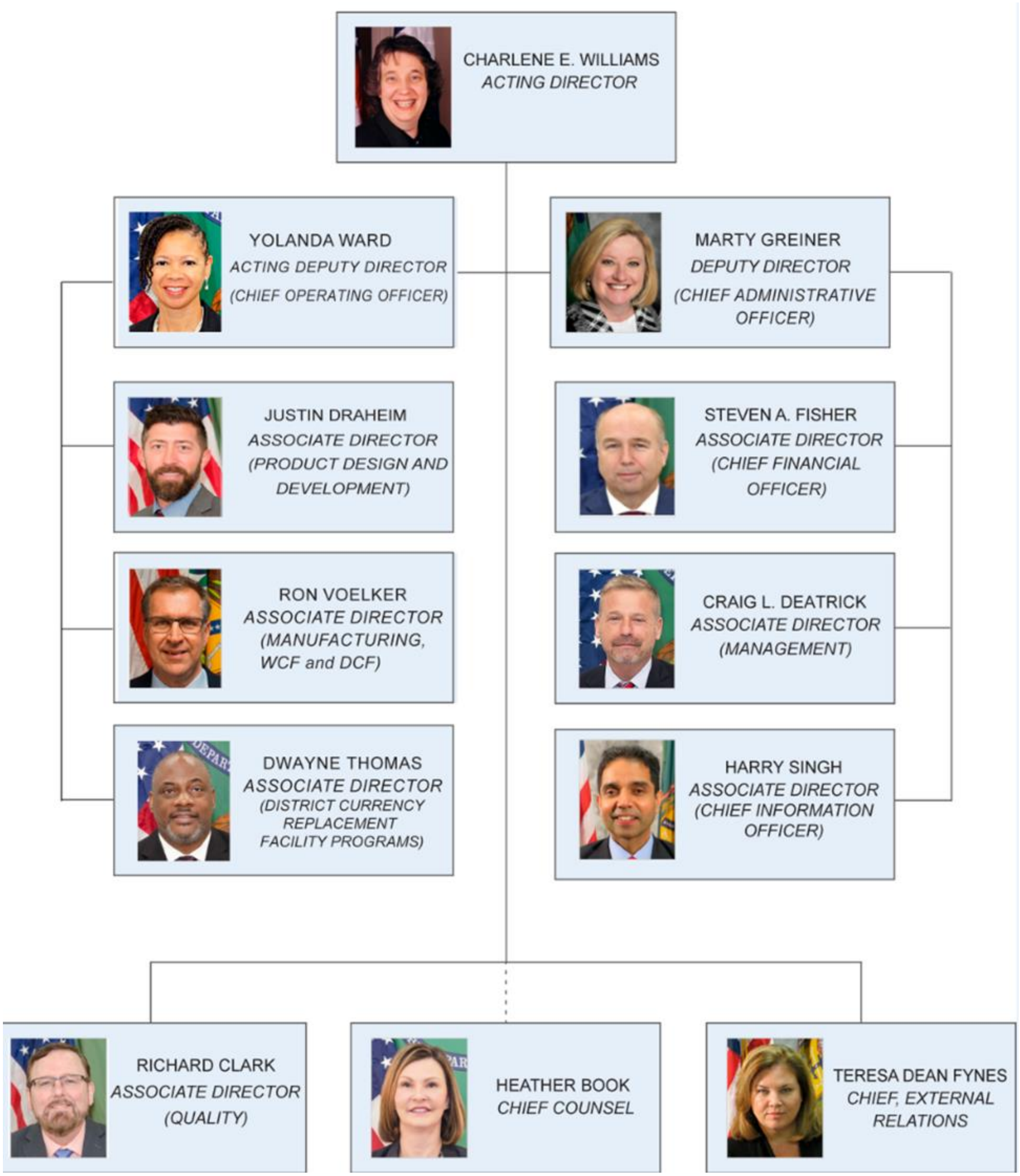
The Bureau occupies three government-owned facilities and one leased facility. The DCF Main and DCF Annex buildings, located in Washington, DC, house research and development activities and produce FR notes and other security products. The DCF Main building became operational in 1914 and the DCF Annex building in 1938. Both buildings are owned by the U.S. Department of the Treasury, (See Note 2 of the Financial Statements). In 1987, the City of Fort Worth, TX donated the land and building shell to the U.S. Department of the Treasury who accepted the property under its gift acceptance statutory authority (the BEP does not have gift acceptance authority). The BEP built out the shell and has included those capital improvements in its financial statements (See Note 5 of the Financial Statements). The WCF began operations in 1991 and produces FR notes. The WCF was established to provide increased production capacity, reduce transportation costs, streamline the manufacturing process and enhance the nation's emergency preparedness. The BEP also leases a warehouse located in Landover, Maryland. In addition, the BEP owns 104 acres of land in Beltsville, Maryland, and plans are underway to construct a new currency facility (i.e., the DCRF) at this location to eventually replace the existing DCF.

Both the DCF and the WCF provide free tours of the currency production process to the public. Both facilities have visitor centers with currency manufacturing displays, interactive exhibits and information about the history of our nation's currency. The visitor centers also sell uncut currency sheets, vignettes of engravings and specialty numismatic note products. Public tour operations and visitor centers temporarily closed as a precautionary measure during the COVID-19 pandemic, with a reopening to the public occurring this year.

Organization

The BEP's organization structure is displayed in the following chart. The Bureau's Senior Executive Team (SET) consists of the Director, two Deputy Directors (a Chief Operating Officer and a Chief Administrative Officer), seven Associate Directors, the Chief Counsel and the Chief of External Relations. Various planning committees and subcommittees – composed of a cross-section of Bureau senior and mid-level managers representing diverse organizational units – report to the SET. These groups serve to promote effective communication, increased collaboration, and participative, proactive management through organizational lines.

2023 Executive Organizational Structure

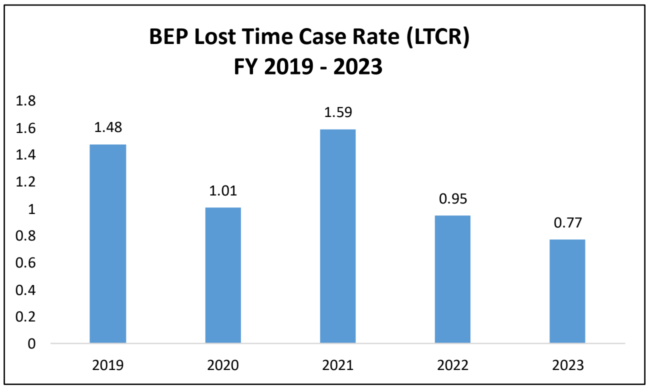


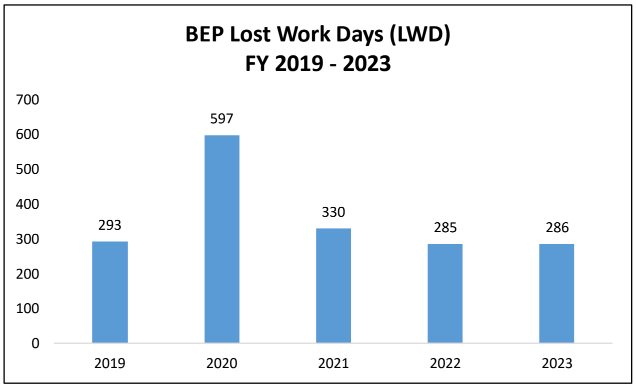
Safety, Health and Environmental Management

The DCF's Office of Environment, Health and Safety (OEHS) and the WCF's Safety and Occupational Health Branch (SOHB) 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 programs. The BEP is continually improving the management system, achieved positive results on ISO 14001 third- party audits and made long-term improvements in key performance metrics. The Bureau's safety, health and environmental management goals are to (1) maintain a downward trend in occupational injury and illness rates and (2) continue minimizing the environmental impact of operations while producing high-quality products. The BEP engages personnel at all levels and many OEHS improvements result from employee suggestions, technical work groups and employee-led safety and environmental projects.

Employee Health and Safety

The BEP's key performance indicators for safety are the recordable lost time case rate (LTCR) and lost workdays (LWD), as defined by OSHA. Calculation of the OSHA LTCR is based on the number of lost time cases multiplied by 200,000 (hours worked annually by 100 workers) divided by the BEP's total number of hours worked. In FY 2023, the LTCR decreased significantly from FY 2022.





The Bureau's LTCR in FY 2023 was .77 cases per 100 employees, a 19 percent decrease from FY 2022's 0.95. The BEP's LWD in FY 2023 increased by less than 1 percent compared to FY 2022. The significant decrease in the LTCR is largely attributable to a continued effort to focus on the process of returning employees to work. The initiative includes the following improvements:

- Utilizing electronic reporting via the Employees' Compensation Operations & Management Portal (ECOMP).
- Establishing new partnerships with supervisors to support the return-to-work program with light and limited duty assignments.
- Increasing accountability through reporting of root cause analysis and corrective action plans on injuries to executive management.
- Sharing injury and illness data and case status updates during monthly safety committee and leadership meetings.

The OEHS and SOHB continue to work to prevent injuries and illnesses through hazard anticipation, evaluation and controls, including engineering and administrative controls such as training, employee awareness and job safety analyses. Personal Protective Equipment (PPE) is utilized to effectively control hazards until implementation of additional engineering and process changes or, as a last resort, when other controls do not adequately control the hazard.

During FY 2023, the BEP performed health and safety risk assessments for several components within BEP to proactively identify hazards and develop targeted controls. The OEHS and SOHB increased the number of exposure monitoring surveys and made improvements to the overall program. The BEP provided additional training opportunities for CPR/AED use, installed an intersection forklift collision avoidance system at the WCF, and implemented ErgoIQ, an ergonomics assessment software tool, that allows employees to assess and improve their home and office workstations. The software tool also enables the OEHS and SOHB to better manage ergonomic evaluations and provide recommendations to maximize employee productivity, safety and health. The BEP continued its efforts to ensure critical production operations continued safely, in accordance with the Centers for Disease Control and Prevention (CDC) guidance and in compliance with all applicable regulations, including masking protocols based on facility location and COVID-19 Community Level, use of social distancing and contact tracing devices, and offering administrative leave hours for the COVID-19 vaccine and booster. Also, in accordance with updated CDC guidance, the BEP transitioned from organizational protocols toward personal, individual decisions and accountability by the workforce to prevent the spread of COVID-19 at the workplace. The BEP intensified the focus on incident reviews by conducting round table reviews with supervisors, managers, union representation and subject matter experts that resulted in corrective actions that better supported the workers impacted by each decision. The BEP also provided worker's compensation and light and limited duty program information sessions to employees.

In FY 2024, the BEP will continue to prioritize employee health and safety by striving to:

- Remain focused on hazard identification, incident prevention and enhanced coordination with the Occupational Health Units to achieve comprehensive injury case management and accelerate the return of employees to work.

- Implement digital signage at each facility to promote safety and health awareness and education.

- Create a formal workplace monitoring plan and perform sampling/monitoring to characterize and quantify employee exposures to chemical, physical and biological hazards. The workplace monitoring plan will group employees based on the similarity and frequency of tasks they perform, the similarity of process and materials with which they work, and the similarity of the way they perform the work tasks.

- Implement a targeted initiative to evaluate and improve ergonomics in the manufacturing work environment.

Protecting the Environment

During FY 2023, BEP reduced its buildings' scope 1 and scope 2 greenhouse gas (GHG) emissions by 1 percent year-over-year from FY 2022. Since FY 2008, BEP has reduced its GHG emissions by 52 percent. Reductions in GHG emissions are attributable to the completion of energy saving projects and an increase in renewable energy purchases. Currently, 34 percent of the BEP's total electricity comes from renewable energy sources. In comparison to FY 2022, the number of currency notes printed on intaglio presses decreased by 10 percent, while the generation of regulated wastes (air, water and industrial solid wastes) decreased by 39 percent. The reduction in waste generation is primarily due to decreased wastewater, which BEP achieved through wiping solution recycling and increased efficiency when printing on 50-subject sheets.

The Bureau remains committed to reducing the environmental impact of operations. The following are specific ongoing FY 2023 projects with significant environmental benefits:

Single Note Inspection (SNI) Process – The BEP continued to develop and use SNI, a process that reclaims individual notes that meet quality standards from sheets of currency – each sheet contains 32 or 50 notes – containing at least one defective note. Previously, the BEP shredded all sheets that contained at least one defective note. The BEP is currently running SNI on $1, $5, $20, $50 and $100 currency notes. During FY 2023, the BEP reclaimed 253.9 million notes at the WCF and 88.0 million notes at the DCF, which diverted 376.5 tons of currency wastepaper materials from solid waste disposal. This resulted in material and environmental cost savings of $15.9 million. Also, without reclaiming these notes, the BEP would have used an additional 95.8 tons of ink and 3.8 tons of solvent to complete the YCO, which would have generated an additional 777,000 gallons of wastewater, 2.4 tons of air pollutants and 87.0 tons of industrial solid and hazardous wastes.

Wiping Solution Recycling Plant (WSRP) – Wastewater generated from onsite pre-treatment of wiping solution is the Bureau's largest industrial waste stream. The plant can either clean used water-based solution for reuse on currency presses or produce 100 percent% fresh (unrecycled) wiping solution. The DCF and WCF began testing and evaluation of potential wiping solution recycling systems, with further evaluation needed.

District Currency Replacement Facility – The OEHS is significantly involved in the DCRF project. At the new facility, the BEP will consolidate and modernize DCF production and warehouse facilities to incorporate sustainable features and provide a safer worksite for BEP employees. The new facility is designed to meet Leadership in Energy and Environmental Design (LEED) Gold 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 will improve the energy efficiency of DCF operations and reduce the Bureau's carbon footprint.

High-Efficiency Lighting Systems – The DCF and the WCF upgraded interior lighting by installing LED lamps throughout 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, the BEP re-lamped office areas and common spaces, saving 1,960 megawatt hours (MWh) of electricity and reducing GHG emissions by 677.5 metric tons of carbon dioxide every year thereafter. In FY 2020, the BEP initiated the project's second phase, the re-lamping of production wings, expected to save an additional 1,850 MWh of electricity and yield a GHG emissions reduction of 600 metric tons of carbon dioxide every year once completed. The project completed in 2023, provides the DCF with an estimated annual energy savings of $0.2 million, and a rebate of $0.1 million from the DC Sustainable Energy Utility (DCSEU) as a result. At the WCF, the re-lamping project is ongoing and the third phase of the project, which re-lamped 80 percent of production areas, completed during FY23. This project will reduce energy consumption by over 1,200 MWh and reduce GHG emissions by about 900 metric tons.

Plant Optimization Systems – The WCF is implementing a Central Plant Optimization project to increase plant efficiency through machine learning technology. Additionally, to achieve optimal efficiency, the WCF will continuously monitor and adjust the chillers, heat exchangers, pumps, boilers, cooling towers and other plant equipment. The conservative estimate of annual energy savings from the plant modeling is around 5 percent, a reduction of 540 MWh and 383 metric tons of GHG.

Physical Vapor Deposition (PVD) Plating – In early FY 2022, the DCF installed a PVD coating unit specially designed for intaglio plate production, and the WCF has plans to install a similar unit in FY 2024. Short-term, the units will test and prove the new process and in the long-term, the PVD process will replace the existing chromium coating process at both BEP facilities. The PVD process occurs under an extreme vacuum in a noble gas environment and eliminates the formation of hexavalent chromium. When in full operation, the unit eliminates occupational exposures. While hard chromium coating generates large amounts of wastewater and hazardous waste, PVD coating eliminates these wastes, with negligible air emissions. The BEP plans to install a second PVD unit at the DCF during FY 2024.

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 2024 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 increase process efficiency and reduce spoilage through projects such as SNI process expansion. The Bureau will also install laser-to-plate engraving technology at the DCF that could potentially replace nickel electroplating in the future. The WCF plans to install energy efficient cool white polyvinyl chloride roofing in selected areas, and replace older air compressors with newer, more energy efficient models. These planned projects align with the BEP's long-standing commitment to proactive and responsible environmental stewardship by reducing environmental impacts and improving employee health and safety.

Strategic Plan

The Bureau supports the U.S. Department of the Treasury strategic plan by providing trusted and secure U.S. currency notes for public use, while implementing its own five-year strategic plan (2022-2026). This plan serves as a roadmap toward the Bureau's goal of ensuring high quality, cost-effective and flexible business operations for years to come. As a world leader in security printing, the BEP remains resolute in producing quality currency, controlling costs, environmental stewardship and providing safe working conditions. The ingenuity, industriousness and commitment of BEP employees propel the Bureau forward in meeting its goals.

To support the overall mission and focus on key issues that affect the Bureau and its employees, the BEP has three strategic goals:

(1) **Execution:** To safely and timely deliver quality products to our stakeholders in a cost-effective and environmentally responsible manner.

(2) **Innovation:** To create innovative designs, processes and products that exceed stakeholders' expectations.

(3) **Excellence:** To achieve overall excellence by balanced investment in people, processes, facilities, and technology.

The BEP accomplishes these goals through execution of the following eight objectives:

(1) **Exceed customer expectations:** Consistently deliver high-quality products and services that exceed customer expectations and requirements.

(2) **Deliver quality products and services:** Enhance the quality assurance (QA) system to assure efficient and effective note production, products and services, optimized production support, and administrative processes and practices.

(3) **Deliver new security features and capabilities:** Develop, implement and deliver new and effective security features, and provide meaningful access for blind and visually impaired individuals.

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

(5) **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.

(6) **Modernize and protect information technology:** To support optimization and accessibility of IT functionality and security, institutionalize new industry advances while keeping current functionality cost-effectively operational throughout transition periods.

(7) **Improve organizational efficiency, effectiveness, and sustainability**: Enhance efficiency, effectiveness and climate change responses of Bureau business functions that sustain operations to consistently deliver environmentally friendly, timely and high-quality products and services that meet customer expectations.

(8) **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 fully positioned itself to meet its strategic goals and related objectives and 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 the manufacturing process.

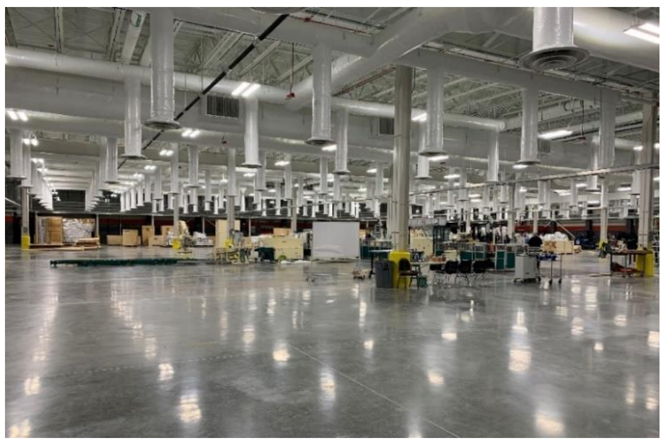
Facility Modernization

The Bureau has two major capital projects to modernize its currency production facilities, setting the course for the BEP's future. The WCF's massive expansion will provide the space needed for installing new equipment and processes was completed. Additionally, the BEP is planning to construct a new, world class, modern currency production facility to replace the DCF. The DCRF, coupled with strategic renovations of the WCF, will allow the BEP to meet the challenges of increasingly complex designs necessary to produce more secure, high-quality currency notes in demand worldwide.

WCF Expansion Project

The WCF Expansion Project was completed in September 2023 and provides the infrastructure and systems needed to support critical facility and production needs. The commissioning of the production areas allows the BEP to occupy the newly constructed areas and begin the installation of printing equipment.

The south area of the expansion accommodates a new vault and new equipment related to reclamation. The additional vault doubles the current storage capacity and puts the WCF in a strategic position to expand inventory levels, which is crucial as the BEP continues to work with the Federal Reserve to address contingencies and ensure a safe and secure supply of currency. The new reclamation equipment enables the BEP to inspect finished currency using state-of-the-art technology and ensures finished notes meet stringent quality standards.



WCF Expansion Project: The South Expansion area provides space for new processes and equipment.

Additional areas completed this year include the new chemical logistics center, a new plating line and the administrative addition. The new chemical logistics center houses all hazardous chemicals in a controlled environment with a new chemical dispensing system to support production operations. The new building lessens the BEP's environmental impact by preventing potential spills and increasing efficiency and traceability of chemical usage. The new plating line supports the new larger-size equipment. The administrative addition incorporates a new multi-function auditorium that will provide sufficient space to hold meetings and conduct training for the WCF workforce.

The WCF Expansion Project provides approximately 300,000 additional square feet of space to increase production capabilities and vault storage, support reclamation efforts, upgrade security and enable the accelerated development and testing of future currency, while improving environmental performance and safety. The WCF Expansion Project is critical to the future, as the BEP builds the capabilities to enhance U.S. currency through technological advancement, increased throughput, and resilience in operations.

District Currency Replacement Facility

The DCRF project continued to progress in FY 2023, meeting significant key milestones for the successful construction of a more modern production facility. Completion of the Environmental Impact Statement (EIS) in FY 2021, in partnership with the USACE, enabled finalization of the property transfer agreement in FY 2022. The Bureau and the USACE are currently working with the USDA to relocate their existing operations from the site in Beltsville, Maryland. Additionally, the Bureau and the USACE have begun demolition of 24 buildings abandoned by the USDA to prepare the site for the construction of the new facility.

DCRF: The entrance to Beltsville Agricultural Research Center in Beltsville, Maryland.

The EIS addressed the project and its possible impact on local wildlife, natural resources, archeological items, the surrounding community and transportation infrastructure. Design and construction plans were developed based on the EIS and other studies, and the 65 percent design for the new facility received approval from the project's Executive Oversight Committee. The current design calls for a one-story, secure, environmentally friendly building with a hybrid transportation plan and a public space for visitors. The plans indicate the facility will achieve LEED Gold Certification, an internationally recognized certification from the U.S. Green Building Council that indicates a high level of energy efficiency or renewable product usage achievement.

As BEP moves closer to realizing an updated and modern production facility, this landmark achievement will position BEP to effectively and efficiently produce currency well into the future.

Currency Quality Assurance Program

U.S. currency notes are continuing to increase in complexity to incorporate improved counterfeit deterrence, machine readability, and accessibility to the blind and visually impaired. This evolving complexity has and will continue to require many improvements in the BEP's QA systems and processes to maintain note fitness and reliable use in commerce.

The FY 2023 YCO required verifying and validating many new production processes to optimize high-quality production output. To support currency demand, BEP increased $100 note production at the DCF, with a concerted focus on quality. The Bureau continued to implement the Currency Quality Assurance (CQA) program, which provides a long-term roadmap of improvement objectives and tasks to drive Quality System maturity. The 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 ensures secure U.S. currency at world-class quality levels.

Quality Policy

In FY 2023, 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 high-quality levels in finished notes during a challenging year.

Priority Initiatives

In FY 2023, the BEP fulfilled its mission amid shifting currency production demands, development of future banknotes, and easing restrictions from COVID-19. Despite these pressures, the Bureau delivered excellent customer value and experience aligned with the Treasury's strategic goals and objectives. The Bureau continued to implement and execute plans and initiatives to maintain high-quality currency, leveraged technology to effectively support quality management systems and engaged and developed its workforce to build a sustainable future. Yield increased and waste decreased through expansion of the reclamation process to the $50 notes at the WCF and $100 notes at the DCF. The BEP reclamation efforts also positively impacted the environment by reducing landfill waste and saving on raw materials and energy.

In FY 2023, the CQA program successfully completed more than a dozen improvement initiatives leading toward long-term quality systems maturity. The optimization of $100 note production and reclamation at the DCF were major successes in maintaining a focus on quality, through a robust verification and validation process.
Future banknote development was also in the forefront. The Bureau established its first Banknote Development Quality Plan for the redesign of the $10 note. Further, the BEP also developed the first iterations of the Quality Standards and Quality Control Plans for future denominations, which are slated for issuance in 2026. The BEP Calibration Program has maintained 100 percent Operational Availability Rate of critical-to-quality assets for 12-plus consecutive months. Additionally, the number of controlled assets has increased by 11 percent over the past 12 months. The Calibration Program developed and implemented a bi-annual inventory program with all assets inventoried and visually inspected for compliance to our QMS procedures. The program is also in the process of developing and testing standard operating procedures (SOPs) for performing in-house calibrations on three types of equipment: micrometers, balances and XY tables.

Corrective and Preventative Actions (CAPA)

The CAPA process identifies, tracks and corrects the causes of non-conformances or potential non-conformances in U.S. currency production. Typically, customer complaints and internal and external quality audits identify non-conformances. Continual improvement of CAPA is based upon rigorous root-cause investigations and thorough documentation of the corrective action plans. The CAPA system has matured through BEP staff's continual focus, effort and leadership, which has led to continuous system improvement.

Customer Satisfaction and Communications

The Bureau holds a semi-annual CAPA review with the Federal Reserve to discuss investigations into quality defects and concerns. This provides an added layer of communication demonstrating the BEP's strong commitment to quality concerns and subsequent follow ups. During FY 2023, the BEP's quality engineers, QA specialists and scientists, in addition to multiple directorates across the BEP, suppliers, the U.S. Secret Service (USSS) and the Federal Reserve successfully resolved several complex CAPA investigations. For FY 2023, this type of collaboration and communication were key in effectively addressing and resolving quality concerns.

Ready to Ship Quality

In FY 2023, the Bureau continued to make improvements to its final QA Release Processes using a Lean Kaizen methodology. Lean 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. By adapting this methodology to identify and implement improvements, the BEP was able to reduce the QA Release Process overall cycle time, allowing for expedited processing of increased shipment levels. The BEP also added a Notice of Defect (NOD) check to ensure that a product with an identified defect was addressed appropriately prior to final release, as well as initiated a plan to replace the aging BPS3000 currency processing equipment utilized in the QA Release Process with new next generation technology.

Quality Management Controls

In FY 2023, external ISO Registrar auditors conducted the BEP's ISO 9001:2015 surveillance audits, and both facilities retained certification. The auditors noted several strengths, including noted improvements to the BEP Quarterly Quality Management System Review (QMSR) and the world-class Quality CAPA System.

In FY 2023, the Bureau completed an initiative to improve the QMSR by better documenting the management review process. The QMSR provides a regular forum for the SET to assess the effectiveness of the ISO 9001:2015 and to identify quality improvement activities, issues and risks. 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 to ensure excellent quality performance. During FY 2023, the team demonstrated flexibility and resilience by successfully completing audits of internal and external suppliers.

Materials Management

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. The CQA program includes effective supply chain management to ensure that critical quality materials and parts are available when needed. In FY 2023, BEP sustained supply chain improvements such as reducing requisition backlogs to ensure critical quality materials and spare parts were available when needed. Round-robin laboratory testing with suppliers also helped build strong coalitions focused on quality.

Data Analytics

The Bureau's goal is to make sound decisions based on data and effective analysis. To this end, the BEP has made significant advances to expedite decision making on quality-related matters. The BEP implemented a unified Laboratory Information Management System that centrally stores a vast amount of data on a secure SharePoint website accessible to all Quality Laboratories. In addition, to take effective actions, the BEP has utilized Tableau for long-term data trend analysis to better understand long-term patterns and changes in quality. The BEP also samples production notes for regular process performance and capability analysis to provide statistical indications of how the Bureau is meeting quality standards and if production processes are in control.

Other 2023 Quality Key Accomplishments

The Bureau conducted 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 continues to take on a more collaborative approach. QA specialists worked with Manufacturing Directorate personnel to assure product quality by using a data collection tool that tracks defects, as well as the corresponding remediation efforts to address those defects, which has made in-process QA work more effective. In FY 2023, 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, as well as supported other document control and updates.

Construction of the new Ink Laboratory completed and includes upgrades to the heating, ventilating and air conditioning (HVAC), ventilation and hood systems. This will improve employee safety when working with inks and provide a larger working area for ink testing and development.

Working collaboratively with the Treasury, the BEP also developed a new Lean Six Sigma Yellow Belt Program and jointly taught a Green Belt Certification Program. The Quality Directorate upgraded the Change Management Training to have a certified instructor and several leaders trained in change management concepts. The Quality Directorate also promoted training in the Federal Acquisition Certification for Program and Project Managers (FAC-P/PM) program. Further, in FY 2023, several Quality Directorate employees either earned P/PM certification or increased their certification levels.

Key Performance Indicators

The Bureau uses key performance indicators (KPIs) to quantify the effectiveness and efficiency of overall organizational performance. Annually, the SET establishes targets for each measure, based on various factors such as trend data, price factors and anticipated productivity improvement. Actual performance against the targets depends on the Bureau's ability to meet annual currency production, spoilage, efficiency and capacity utilization goals.

FY 2023 Key Performance Indicators: Target vs. Actual Results

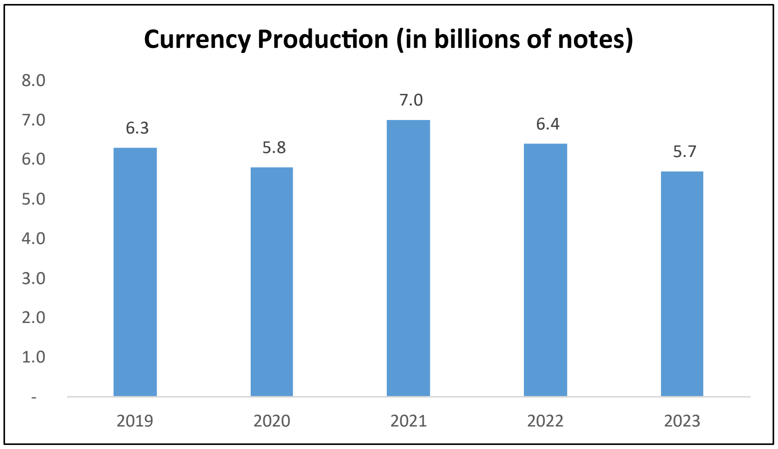
Key Performance Indicators	FY 2023 Target	FY 2023 Actual
1. Manufacturing Cost (per 1,000 notes)	$65.29	$59.81
2. Currency Production (in billions of notes)	5.3	5.7
3. Productivity (year-over-year change)	-23.4%	-10.9%
4. Spoilage	8.5%	7.2%

Explanation of KPIs

The following metrics are the KPIs utilized by the SET in periodically assessing the performance and progress towards achieving BEP's strategic goals. The table above compares the actual results to the target for each metric in FY 2023.

Manufacturing Cost

Manufacturing cost is the total cost associated with manufacturing a product on a per unit basis. The calculation for manufacturing cost is the total manufacturing cost over the number of units produced. For BEP, the manufacturing costs include direct labor, materials and applied manufacturing overhead, and a unit is 1,000 currency notes. In FY 2023, the actual manufacturing cost per 1,000 currency notes was below the target due to material savings achieved from lower-than-expected spoilage. The savings in spoilage is due to continued reclamation of individual notes through the SNI process (refer to the Safety, Health and Environmental Management section for additional description of this process). In the prior year, the Bureau expanded the SNI reclamation process to include $50 notes produced at the WCF. The Bureau is now in a position to run the $1, $5, $20, $50 and $100 note denominations on SNI equipment, resulting in significant savings from reduced spoilage.

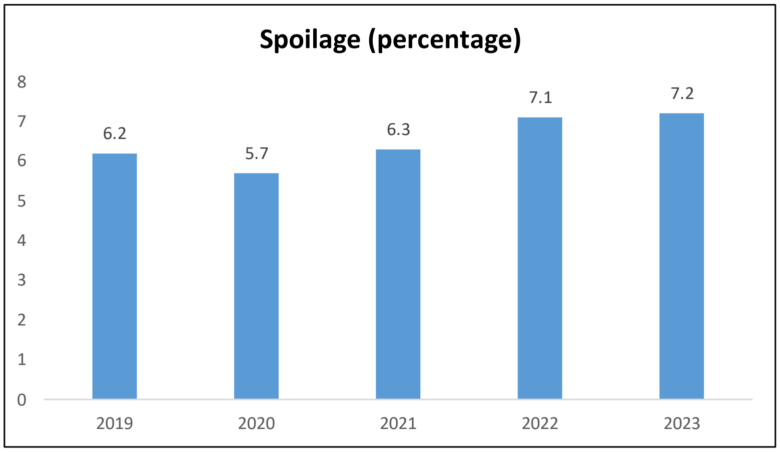


Currency Production

Currency production is the total number of currency notes produced and delivered to the Federal Reserve during the year. The number of currency notes produced in a given year is based on the YCO submitted by the Federal Reserve. The Federal Reserve typically submits the YCO at the start of each year, and as needs shift, the BEP and the Federal Reserve will make adjustments as necessary. The initial FY 2023 YCO was for a range of 4.5 to 8.6 billion notes. During the year, the BEP and the Federal Reserve adjusted the YCO within these ranges to best match available production with fluctuating currency demand, and the BEP delivered 5.7 billion notes.

Productivity

Productivity measures output per unit of input and is a key indicator of the efficiency of the production process. For BEP, the output is the number of currency sheets produced and the input is the number of full-time employees (FTEs). Because the output of currency production is determined by the Federal Reserve’s YCO, and the number of FTEs remains fairly consistent year-over-year, the SET finds the year-over-year percentage change in productivity to be a more useful metric than productivity alone. In FY 2023, the target change in productivity was set at a year-over-year decrease of 23 percent. The BEP actually produced 91,391 sheets of currency per FTE in FY 2023 in comparison to 102,545 sheets per FTE in FY 2022, resulting in a year-over-year decrease of 11 percent in productivity. Productivity decreased as expected in direct correlation with the Federal Reserve’s decreased YCO. Overall, productivity was higher than the target due to increased output achieved from expansion of the SNI reclamation process to the $50 notes at the WCF. The increased output enabled the Bureau to begin building an inventory of notes which will be ready to help fulfill the next Federal Reserve order.



Spoilage

Spoilage is wastage or loss of material that occurs during the manufacturing process. It is an inherent result of any production process, as it is unavoidable and expected, and is a key indicator of the overall effectiveness of the production process and quality of material inputs. The calculation for spoilage is the total number of spoiled units, divided by the total units produced, multiplied by 100. In FY 2023, overall currency spoilage was below the established target, due to the continued reclamation of the $1, $5, $20, $50 and $100 notes through the SNI process during the year, as noted above for driving the savings in manufacturing cost.

FY 2019-2023 Comparable Key Performance Indicators

Key Performance Indicators	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
1. Manufacturing Cost (per 1,000 notes)	$51.01	$56.19	$61.81	$63.96	$59.81
2. Currency Production (in billions of notes)	6.3	5.8	7.0	6.4	5.7
3. Productivity (year-over-year change)	-13.9%	-10.5%	14.3%	-2.5%	-10.9%
4. Spoilage	6.2%	5.7%	6.3%	7.1%	7.2%

KPI 5-Year Trend Analysis

The above table provides the most recent five-year actual results by KPI. The result for each KPI is highly dependent on the total number of notes included in the Federal Reserve YCO, as well as the quantity of each specific denomination.

Manufacturing Cost

Between FY 2019 and FY 2022, actual manufacturing cost steadily increased from $51.01 to $63.96. The increase in manufacturing cost over this period was mainly driven by the increased YCO over the same period and the increased demand for higher denomination notes. As the denomination value goes up, additional security features are required, resulting in a more complex and costly production process. During the pandemic, demand for the higher denomination $100 notes increased significantly through FY 2022. In FY 2023, manufacturing cost decreased to $59.81, in line with the decrease in the YCO to pre-pandemic levels and a shift in demand from $100 notes to $1 notes.

Currency Production

Currency production fluctuated from 6.3 billion notes in 2019 to 7.0 billion notes in FY 2021 and back to 5.7 billion notes in FY 2023. Annual currency production is determined by the YCO submitted by the Federal Reserve each year and adjusted accordingly as needed. In FY 2020 and FY 2021, the Federal Reserve increased the YCO significantly in response to the pandemic and the surge in demand for currency, especially for high denomination notes, resulting from economic stimulus packages. Beginning in FY 2022 and in FY 2023, the YCO gradually declined to pre-pandemic levels as the national and global economies faced residual impacts from the pandemic and the demand for currency shifted.

Productivity

The year-over-year change in productivity increased significantly when comparing FY 2021 to FY 2020 and has since gradually declined when comparing FY 2023 to FY 2022. Because FTEs remains fairly consistent year-over-year, productivity is a reflection of currency production primarily determined by the Federal Reserve's YCO. The significant increase in productivity during FY 2021 is in line with the significant increase in currency production for the year. As the YCO and currency production has since declined, the productivity in FY 2022 and FY 2023 has also decreased.

Spoilage

Spoilage has remained steadily in the range of 6 percent to 7 percent over the past several years. Overall, currency spoilage has remained below the target each year due to maturation of the BEP quality system and expansion of the reclamation process. In FY 2019, reclamation ran on the $100 and $20 notes. As of FY 2023, reclamation has now expanded to include $1, $5, $20, $50 and $100 notes. Overall product mix also impacts spoilage and a shift in the order from the $1 note to the $100 note increases both cost and spoilage significantly. Although in more recent years, the reclamation process has expanded, overall spoilage has not decreased significantly due to the increased production of the higher denomination notes that undergo a more complex manufacturing process and inherently result in more normal spoilage.

Prompt Payment

To ensure that federal agencies pay invoices in a timely manner, Congress passed the Prompt Payment Act (PPA), 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 after the agency has received a proper invoice. An invoice is deemed received on the later of receipt date or seven days after delivery of good or services unless the contract specifies other terms. If this time frame is not met, an interest penalty must be paid to the vendor. Within Treasury, the late payment rate performance target is that no more than 2 percent of the invoices subject to the PPA shall be paid late (i.e., at least 98 percent are paid within 30 days).

BEP's prompt payment performance (FY 2019-2023)

Performance Measure	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Number of invoices paid late	59	151	19	3	8
Interest paid	$4,469	$11,277	$1,377	$458	$1,623
Percentage of invoices paid late	1.42%	3.23%	0.36%	0.05%	0.15%

In FY 2023, the BEP paid 99.85 percent of all invoices on time, and the percentage of invoices paid late has remained within the target range established by Treasury. In recent years, the 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 (OC) and the Office of Supply Chain Management. This team worked on various process improvements, which yielded a significant improvement in the Bureau's prompt payment performance rate. The team continues to meet to ensure the Bureau's prompt payment performance rate is within or below the Treasury's acceptable range of 2 percent.

Management Discussion & Analysis

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

Cash

Cash decreased by $45.5 million due to cash outlays related to capital investment projects. Cash flows provided by operations were $156.0 million and $163.3 million in FY 2023 and FY 2022, respectively.

Accounts Receivable

Accounts receivable increased by $12.3 million. This was mainly due to a large receivable established at year-end from a BEP supplier as a result of price adjustments.

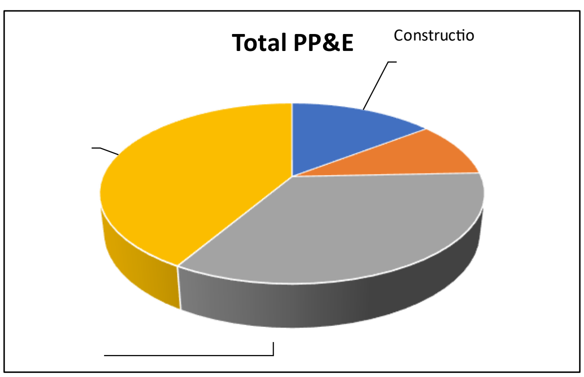
Inventories

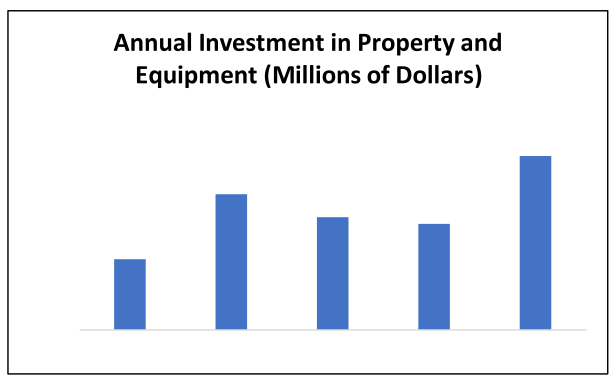
Net inventories increased by $20.4 million due to additional raw material paper purchases toward the end of FY 2023.

Prepaid Expenses

Prepaid expenses decreased by $.006 million from FY 2022 due to increased postage usage in FY 2023.

Property and Equipment





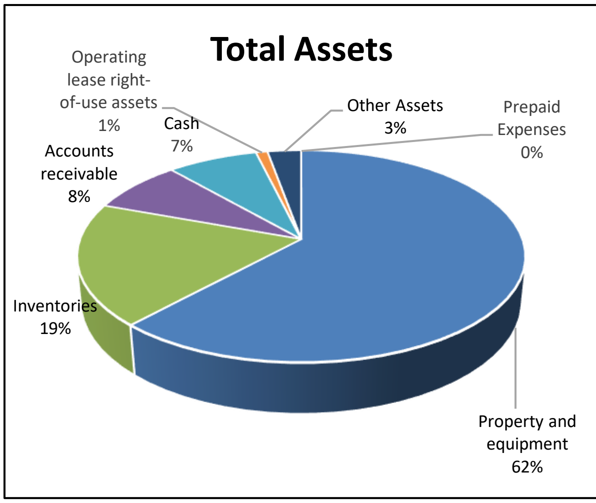
Net property and equipment increased by $146.0 million. The increase is attributed to capital investments in currency manufacturing equipment and construction projects in excess of depreciation.

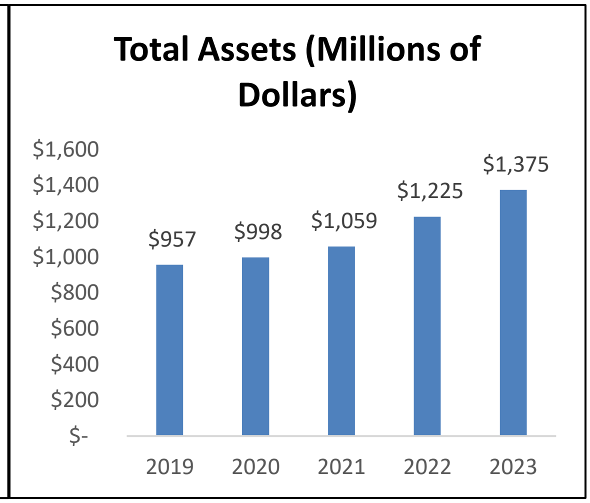
Operating Lease Right-of-use Assets

Operating lease right-of-use assets increased by $13.4 million due to implementation of the new lease standard under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842 effective beginning in FY 2023, requiring presentation of certain operating leases on the Balance Sheet (refer to Note 13 of the Financial Statements for additional details of the updated accounting guidance). The $13.4 million is the amount due on the remaining term for leases where BEP is the lessee.

Other Assets

Other assets increased by $3.2 million in FY 2023, which was related to increased receipt of repair part inventories.





Accounts Payable

Accounts payable increased from $35.8 million in FY 2022 to $38.3 million in FY 2023 due to increased outstanding payments to commercial and Federal vendors.

Accrued Current Liabilities

Accrued current liabilities increased from $39.6 million in FY 2022 to $43.7 million in FY 2023 mainly due to implementation of the new lease standard under ASC 842 requiring presentation of operating leases on the balance sheet (refer to Note 13 of the Financial Statements for additional details of the updated accounting guidance). The increase to accrued liabilities represents the current portion due on the remaining term for leases where BEP is the lessee.

Advances

Advances increased from $9.1 million in FY 2022 to $24.2 million in FY 2023 primarily due to unpaid mutilated currency claims.

Workers' Compensation Liabilities

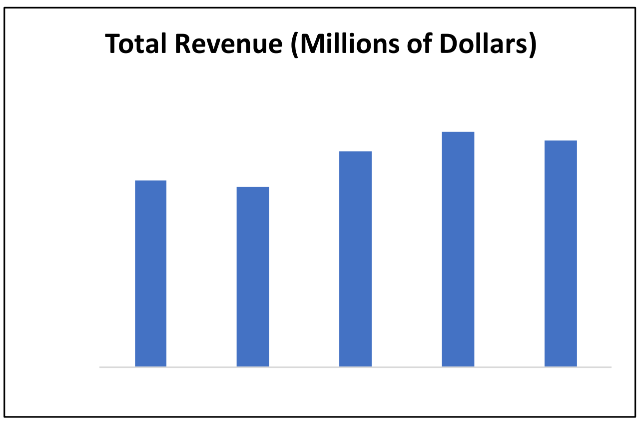
The actuarial workers' compensation liability increased from $51.1 million in FY 2022 to $51.4 million in FY 2023, due to an increase in the overall estimated liability for future Federal Employees' Compensation Act (FECA) benefits for Treasury.

Operating Lease Liabilities

Operating lease liabilities increased by $9.8 million due to implementation of the new lease standard under ASC 842 effective beginning in FY 2023, requiring presentation of certain operating leases on the Balance Sheet (refer to Note 13 of the Financial Statements for additional details of the updated accounting guidance). The $9.8 million is the long-term portion due on the remaining term for leases where BEP is the lessee.

Revenue

Overall, revenue decreased by $38.7 million, from $1,012.0 million in FY 2022 to $973.3 million in FY 2023. Revenue from currency sales decreased by $27.1 million, with an additional decrease of $11.6 million primarily due to a decrease in the non-exchange surcharge for capital investment projects.

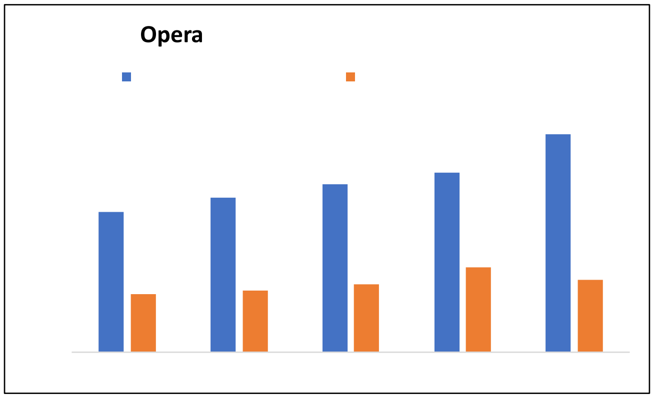


Cost of Goods Sold

Cost of goods sold decreased by $24.1 million from $638.9 million in FY 2022 to $614.7 million in FY 2023. This was due, in large part, to a decrease in the quantity of notes produced and delivered, with the majority of the decrease in the higher cost $20, $50 and $100 notes, as well as material savings achieved from expansion of the SNI reclamation process.

Operating Costs

Operating costs increased by $21.5 million in FY 2023, mainly due to an increase in general and administrative expenses. The BEP dedicated additional funding to IT systems support and upgrades.



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. During FY 2023, the Bureau fully complied 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. These internal control requirements were further increased by the subsequent passages of the Chief Financial Officers Act of 1990, the Federal Financial Management Improvement Act of 1996 and the Sarbanes-Oxley Act of 2002.

The Bureau has a history of strong internal controls and an aggressive monitoring program with the following key elements:

- Comprehensive financial management controls
- Personnel security controls
- Production and quality controls
- Computer security and information resources management controls
- Strong physical security and product accountability functions to safeguard products and assets.

These are reflected in the Bureau's strategic plan through its major strategic goals of security, accountability and resource management.

To enhance product accountability, the Bureau maintains an accountability help desk at the DCF and the WCF. The help desks are staffed by 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 at both facilities to promote compliance with operating policies and procedures through unannounced reviews in production, storage and offline components with security items. During FY 2023, the BEP performed 115 unannounced reviews. The results of the reviews were reported to executives, office chiefs, supervisors and managers responsible for enforcing policies and procedures and implementing corrective actions.

The Internal Control Awareness Program promotes 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 QMS for U.S. currency production 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 is comprised of senior level executives and is chaired by the Chief Financial Officer. The committee provides overall guidance and coordination to the internal control program and fosters an environment in which accountability for results and cost-effective controls are maintained to ensure reliable financial reporting, effective operations and compliance with applicable laws and regulations.

The accompanying financial statements and annual audit are important elements in the stewardship of the Bureau's revolving fund. For the 39th consecutive year, the Bureau received an unmodified opinion on its financial statements from an independent, certified public accounting firm. Additionally, management has assessed the effectiveness of, and concluded, the BEP 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 BEP's integrity of the revolving fund and the reliability of financial data used for managerial decision making are demonstrated by the unmodified audit opinion on the financial statements, management's assessment of effective internal control over financial reporting and the FMFIA review process.

In FY 2023, 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. All the Bureau's major applications and general support systems are compliant in meeting the requirement for Security Assessment and Authorization (SAA) at least every three years. Additionally, the 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 percent 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), which uses Oracle E-Business Suite (EBS), is the BEP's enterprise wide financial and manufacturing application. 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. The system is hosted by Oracle Managed Cloud Services (OMCS) on Oracle Cloud Infrastructure (OCI) for Government. As part of its commitment to ongoing monitoring of IT security controls, the system's security team 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 FY 2023, the BEP made significant strides in complying with federal mandates – OMB Directive M-19-17 and OMB Directive M-22-09 – by implementing a Privileged Access Management (PAM) program that leverages the industry leader off-the-shelf solution, CyberArk. The Bureau onboarded more than 70 administrators on the BEP domain and more than 600 local administrator accounts within CyberArk in FY 2023. This ensures these accounts go above and beyond in meeting strict federal compliance standards and regulations regarding high-value privileged accounts. A robust PAM solution within the Bureau not only streamlines internal and external audits regarding access control, but also significantly enhances internal and external reporting requirements.

The CIO Directorate is an active participant in the Treasury Critical Infrastructure Protection Planning efforts, including Continuity of Operations Planning (COOP) response testing through government and Treasury-wide exercises. The CIO Directorate also tests and executes disaster recovery (DR) plans for the Bureau's major systems that support financial operations such as MSS and completed a DR test exercise on March 4, 2023. During FY 2023, the CIO Directorate planned and executed an assessment of IT security controls for BEP systems hosted on the Oracle cloud service, OMCS. These assessments tested security controls across several IT security control families to determine if the controls were effectively designed and operating. Testers examined artifacts and reviewed all available system specific security documents. As of September 30, 2023, all evaluated security controls were operating effectively, and the CIO Directorate will issue a report to the CFO Directorate outlining any assessment findings and recommendations.

Custody of Assets

In addition to the production of currency, the BEP 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 to safeguard assets and high-value items.

Currency products and other items used in testing, experimental research and other offline activities are expensed immediately and 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. The Bureau also has display areas at each of its facilities and maintains historical collections at the DCF. The displays and historical collections include valuable currency artifacts, former postage stamp operations and other securities produced by the Bureau. While these collections are not included in the inventory balances as reported in the financial statements, the BEP maintains appropriate custodial records and controls.

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 implemented an organizational focus on safeguarding and accounting for all assets, which is reflected in the Bureau's organizational structure. The CFO oversees the Office of Compliance and is responsible for internal controls oversight. 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 BEP's security programs. These programs include personnel, securities destruction, and physical and operational security.

Through this structure, individual unit managers are accountable and responsible for maintaining proper custody and safeguarding all assets under their control.

Assurance Statement

The Bureau, including the organizations under its purview, is responsible for meeting the objectives of FMFIA Section 2 and Section 4, 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 acts' implementation guidelines are included in the internal control requirements of the 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 when designing and assessing internal controls. The BEP conducted its 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, the Bureau provided reasonable assurance that the internal controls over strategic, operational, reporting and compliance objectives were operating effectively as of September 30, 2023.

In addition, the BEP assessed its 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 complied with FFMIA Section 803(a) as of September 30, 2023.

The Bureau considered the results of extensive testing and assessment across the organization and independent audits as part of its evaluation process.

Summary of Office of Inspector General Audits

The Bureau began FY 2023 with three open recommendations, and the Treasury's Office of Inspector General issued seven new recommendations during FY 2023. These pertained to training, policy and/or procedural adherence, and internal controls. During FY 2023, the Bureau implemented corrective action on eight recommendations and is continuing efforts to implement two open recommendations.

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 were prepared to report the financial position, results of operations and cash flows of the Bureau. They were prepared using 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.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Financial Statements

Years ended September 30, 2023 and 2022

(With Independent Auditors’ Report Thereon)

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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

Independent Auditors' Report

The Deputy Inspector General, Department of the Treasury and
The Acting Director of the Bureau of Engraving and Printing, Department of the Treasury:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Bureau of Engraving and Printing (the Bureau), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of operations and other comprehensive income and cumulative results of operations and invested capital, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bureau as of September 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bureau and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bureau's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bureau's ability to continue as a going concern for a reasonable period of time.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2023, 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 or significant deficiencies may exist that were not identified.

KPMG

Report on 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, 2023 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. 24-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections 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 19, 2023

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Balance Sheets
As of September 30, 2023 and 2022

	2023	2022
	(In Thousands)	
ASSETS		
Current assets:		
Cash (Note 3)	$ 104,908	$ 150,451
Accounts receivable (Note 10)	109,843	97,555
Inventories, net (Note 4)	257,133	236,696
Prepaid expenses	123	129
Total current assets	472,007	484,831
Property and equipment, net (Note 5)	851,062	705,014
Operating lease right-of-use assets (Note 13)	13,421	-
Other assets, net (Note 6)	38,822	35,645
Total assets	$ 1,375,312	$ 1,225,490
LIABILITIES AND EQUITY		
Liabilities		
Current liabilities (Notes 7 and 8):		
Accounts payable	$ 38,320	$ 35,761
Accrued liabilities	43,665	39,573
Advances	24,249	9,081
Total current liabilities	106,234	84,415
Workers' compensation liability (Note 8)	56,945	56,128
Operating lease liabilities (Note 13)	9,840	-
Total liabilities	173,019	140,543
Commitments and contingencies (Note 12)		
Equity		
Invested capital	39,591	39,591
Cumulative results of operations	1,162,702	1,045,356
Total equity	1,202,293	1,084,947
Total liabilities and equity	$ 1,375,312	$ 1,225,490

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Statements of Operations and
Other Comprehensive Income and Cumulative Results of Operations and Invested Capital
For the Years Ended September 30, 2023 and 2022

	2023	2022
	(In Thousands)	
Revenue (Note 10):		
Sales	$ 826,571	$ 853,623
Non-exchange surcharge for capital investments	140,359	152,378
Other	6,400	6,029
Total revenue	973,330	1,012,030
Cost of goods sold	614,736	638,870
Gross margin	358,594	373,160
Operating costs:		
General and administrative expenses	181,295	149,278
Research and development	59,953	70,431
Total operating costs	241,248	219,709
Excess of revenues over expenses	117,346	153,451
Cumulative results of operations at beginning of year	1,045,356	891,905
Cumulative results of operations at end of year	$ 1,162,702	$ 1,045,356
Other comprehensive income (loss)		
Land transfer for new currency production facility	-	7,156
Total other comprehensive income (loss)	$ -	$ 7,156
Change in invested capital		
Invested capital at beginning of period	39,591	32,435
Other comprehensive income (loss)	-	7,156
Invested capital at end of period	$ 39,591	$ 39,591

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, 2023 and 2022

	2023	2022
	(In Thousands)	
Cash flows from operating activities		
Excess of revenues over expenses	$ 117,346	$ 153,451
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	54,043	49,239
Loss from obsolescence	3,578	604
Loss from disposal of property and equipment	1,460	-
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(12,288)	(1,877)
(Increase) decrease in inventories	(20,437)	(39,482)
(Increase) decrease in prepaid expenses	6	92
(Increase) decrease in operating lease right-of-use assets	(13,421)	-
(Increase) decrease in other assets	(6,755)	(4,400)
Increase (decrease) in accounts payable	2,559	6,792
Increase (decrease) in accrued liabilities	4,092	942
Increase (decrease) in advances	15,168	1,397
Increase (decrease) in workers' compensation liability	817	(3,479)
Increase (decrease) in operating lease liabilities	9,840	-
Net cash provided by operating activities	156,008	163,279
Cash flows from investing activities		
Purchases of property and equipment	(201,551)	(122,876)
Net cash used in investing activities	(201,551)	(122,876)
Net (decrease) increase in cash	(45,543)	40,403
Cash at beginning of year	150,451	110,048
Cash at end of year	$104,908	$ 150,451

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Notes to the Financial Statements
September 30, 2023 and 2022

1. Reporting Entity

The Bureau of Engraving and Printing (BEP or 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 to the revolving fund by the Federal Government and the appraised value of the land transferred to the Bureau without reimbursement for the District Currency Replacement Facility (DCRF).

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 the Bureau's 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. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

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 expensed 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. The land for the DCRF was transferred by the U.S. Department of Agriculture to the BEP and is not depreciated (See Note 5).

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

Land	N/A
Machinery and equipment	3 - 15 years
Building and land 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 multiemployer 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 the 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 yet reimbursed by the Bureau. The Bureau reimburses the DOL for the amount of actual claims normally within one to two years after payment is made by the DOL. As a result, the Bureau recognizes a current and non-current liability for actual claims paid by the DOL, to be reimbursed by the Bureau.

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future workers' compensation estimates were generated by the 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 claim data and 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 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, 2023, were 2.326 percent and 2.112 percent for income payments and medical in year one and subsequent years, respectively. Discount rates as of September 30, 2022, were 2.119 percent and 1.973 percent for income payments 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 the 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

The vast majority of revenue is from sales to the Federal Reserve Board and 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. Also, the BEP bills the Federal Reserve Board and recognizes revenue related to expenses incurred for WCF expansion, the DCRF project, and the production equipment.

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.

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.

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, 2023, and 2022, 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, 2023, or 2022.

Leases

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as amended, which, along with related amendments, replaced existing capital and operating lease reporting and disclosure requirements. ASU No. 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on the statement of financial position through both a right-of-use asset and a corresponding lease liability, and additional qualitative and quantitative disclosures. The Bureau adopted Topic 842 using a modified retrospective transition approach effective October 1, 2022, which resulted in the recognition of operating lease liabilities and right-of-use assets of approximately $16.9 million. As a result, there was no cumulative effect adjustment recognized. The Bureau elected to adopt the package of transition practical expedients and, therefore, did not reassess (1) whether existing or expired contracts contained a lease, (2) lease classification for existing or expired leases, or (3) the accounting for initial direct costs that were previously capitalized. Additionally, the Bureau has adopted the lease-related disclosures in Note 13.

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2023, and 2022:

	(In Thousands)	
	2023	**2022**
Bureau revolving fund	$ 80,699	$ 141,408
Mutilated currency claims fund	24,209	9,043
Total	$ 104,908	$ 150,451

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, 2023, and 2022, respectively (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2023 and 2022:

	(In Thousands)	
	2023	**2022**
Raw material and supplies	$ 109,478	$ 77,282
Work-in-process	74,911	89,371
Finished goods - currency	40,213	38,540
Finished goods - uncut currency	28,539	26,763
E-Reader inventory	3,992	4,740
Total	$ 257,133	$ 236,696

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2023, and 2022:

	(In Thousands)	
	2023	**2022**
Land	$ 7,156	$ 7,156
Machinery and equipment	736,456	730,140
Building and land improvements	605,486	442,515
IT equipment and software	174,046	197,340
Office machines	-	1,685
Furniture and fixtures	1,579	1,925
Donated assets - artwork	125	125
Motor vehicles	425	175
Leasehold improvements	230	230
	1,525,503	1,381,291
Less accumulated depreciation	931,961	972,293
	593,542	408,998
Construction-in-progress	257,520	296,016
Property and equipment, net	$ 851,062	$ 705,014

Depreciation expense for the years ended September 30, 2023, and 2022 was $54.0 million and $49.2 million, respectively.

The majority of the increase in Property and Equipment from 2022 to 2023 was due to an increase in spending for the acquisition of new production equipment and building improvements. Equipment spending occurred primarily on the non-sequential Large Examining and Printing Equipment (ns-LEPE) and the $100 Finishing Line. The increase in spending on construction projects occurred primarily on the DCRF as well as the WCF expansion.

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. Treasury retains ownership of these assets and discloses them as appropriate in its consolidated financial statements. 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 Texas facility. In accordance with the provisions of Section 7602 of the Agriculture Improvement Act of 2018, Bureau financial statements include the land to build the DCRF, at the appraised value at the time of the transfer from the Department of Agriculture of $7.2 million. In accordance with ASC 230, this transfer is considered to be a noncash investing and finance activity.

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, 2023, and 2022 was $22.9 million and $19.3 million, respectively.

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2023, and 2022:

	(In Thousands)	
	2023	**2022**
Intragovernmental	$ 7,828	$ 4,271
With the public	98,406	80,144
Total current liabilities	$ 106,234	$ 84,415

Accrued current liabilities consist of the following as of September 30, 2023, and 2022:

	(In Thousands)	
	2023	**2022**
Payroll	$ 23,836	$ 22,691
Annual leave	11,999	12,611
Worker's compensation	4,029	4,077
Operating lease	3,611	-
Other	190	194
Total accrued liabilities	$ 43,665	$ 39,573

Advances consist of the following as of September 30, 2023, and 2022:

	(In Thousands)	
	2023	**2022**
Mutilated currency	$ 24,247	$ 9,081
Other	2	-
Total advances	$ 24,249	$ 9,081

8. Workers' Compensation Liability

Claims incurred and paid by the DOL as of September 30, 2023, and 2022, but not yet reimbursed to the DOL by the Bureau, are approximately $9.5 million and $9.1 million, respectively. Of these balances, approximately $4.0 million and $4.1 million represent a current liability, as of September 30, 2023, and 2022, respectively. The Bureau will reimburse the DOL for these claims in the next two years. The Bureau's estimated noncurrent, actuarially derived future workers' compensation liability was approximately $51.4 million and $51.1 million as of September 30, 2023, and 2022, respectively. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately $68.2 million and $65.5 million as of September 30, 2023, and 2022, respectively.

9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were $33.6 million and $31.8 million for fiscal years 2023 and 2022, respectively. The CSRS employer contribution rate for fiscal years 2023 and 2022 was 7.0 percent. The FERS agency contribution rate for fiscal years 2023 and 2022 was 18.4 percent. The cost of providing the CSRS and FERS benefits is more than the amounts contributed by the Bureau and the employees to OPM. The total costs of providing benefits, including the costs financed by OPM, were $43.7 million and $36.4 million in 2023 and 2022, respectively.

OPM paid costs totaling $15.6 million and $14.8 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2023 and 2022, respectively. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling $19.6 million and $18.6 million for the FEHBP and FEGLI programs in 2023 and 2022, which are included in the Bureau's Statement of Operations and Other Comprehensive Income and Cumulative Results of Operations and Invested Capital.

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2023 and 2022, the Bureau's revenues from sales, non-exchange surcharge for capital investment, and services from these organizations as well as the outstanding amounts due from them as of September 30, 2023, and 2022, are reflected in the following table:

	Revenue (In Thousands)		Accounts Receivable (In Thousands)	
	2023	**2022**	**2023**	**2022**
Sales:				
Currency production	$826,077	$853,604	$69,447	$58,882
Public sales	494	19	380	-
Total sales	826,571	853,623	69,827	58,882
Non-exchange surcharge for capital investments:				
Production equipment	39,146	71,898	2,081	6,806
WCF expansion	47,220	47,937	17,349	23,790
New facility	53,993	32,543	-	6,374
Total non-exchange surcharge for capital investments	140,359	152,378	19,430	36,970
Other:				
Mutilated currency	4,666	4,225	1,203	1,100
Meaningful access	1,015	799	266	244
Other intragovernmental	719	1,005	1	-
Other	-	-	19,116	359
Total other	6,400	6,029	20,586	1,703
Total	$973,330	$1,012,030	$109,843	$97,555

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, 2023, and 2022. Contingencies, where the risk of loss is reasonably possible, are approximately $1.7 million and $3.5 million as of September 30, 2023, and 2022, respectively. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes 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 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, 2023, and 2022. 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, IT Software, and IT Hardware costing approximately $303.9 million. As of September 30, 2023, the Bureau has made cumulative payments of $121.3 million, and the remaining commitment outstanding is $182.6 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. Delivery of IT Software and Hardware will be determined upon completion of testing and installation. 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 DCRF. As of September 30, 2023, the Bureau has obligated $151.2 million for these projects and has made cumulative payments of $103.3 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, 2023.

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

On September 30, 2023, and 2022, 1,124 and 1,189 employees, respectively, or 59 percent and 62 percent of our workforce for fiscal years 2023 and 2022, respectively, were covered by collective bargaining agreements. The BEP collective bargaining agreements exclude pay provision negotiations. There are a total of 18 agreements, of which, one is currently under negotiation. One agreement is set to expire within the next year.

13. Leases

The Bureau leases warehouse space and vehicles under long-term operating leases expiring in 2027. Operating leases as a lessee are included in operating right-of-use (ROU) assets and operating lease liabilities on the Balance Sheet. Rent expense, under operating leases that provide for scheduled rent increases over their terms, is recognized on a straight-line basis.

Right -of-use assets represent the right to use an underlying asset for the lease term if the expected lease term is greater than 12 months. The Bureau has elected a policy to not recognize ROU assets and lease liabilities for any short-term leases, generally comprised of office equipment.

Lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and related liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate (five-year yield established by the Department of the Treasury). The commencement date is when the Bureau takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option.

Variable lease payments are generally provided for rent escalations based on increases in property taxes and operating expenses attributed to usage. Changes in variable payments, other than those attributed to indexed rate estimates, are recognized in the period in which they occur and thus not included in the measurement of ROU assets and operating lease liabilities.

The Bureau partially subleases the warehouse space to other components of Treasury under various inter-agency agreements. Lease payments due to the Bureau are fixed and paid over the term of the lease and there are no variable payments associated with the subleases. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. The Bureau leases do not contain residual value guarantees.

The following table presents the various components of lease expense as of September 30, 2023 (in thousands):

Operating lease expense	$ 4,018
Variable lease expense	470
Short-term lease expense	488
Sub-lease income	(512)
Total lease expense	$ 4,464

The following table presents supplemental information relating to the cash flows arising from the lease transactions as of September 30, 2023 (in thousands). Cash payments related to variable lease costs and short-term leases are not included in the measurement of ROU assets and operating lease liabilities, as such, are excluded from the amounts below.

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 4,018
Non-cash right-of-use assets for lease liabilities	
At adoption of ASC Topic 842	$ 16,910
In exchange for new lease liabilities	-
Accumulated amortization, ROU assets	(3,489)

The weighted average lease term and discount rate for the Bureau's leases as of September 30, 2023, is approximately 3 years and 6 months and 3.90 percent, respectively.

The table below represents a maturity analysis of expected undiscounted cash flows for leases on an annual basis for the next four years. For the years ending September 30 (in thousands):

2024	$ 4,072
2025	4,087
2026	4,103
2027	2,159
Total future lease payments	14,421
Less: imputed interest	(970)
Total lease liabilities	$ 13,451
Less: current lease liabilities	(3,611)
Total non-current lease liabilities	$ 9,840

14. Subsequent Events

The Bureau has evaluated subsequent events through December 12, 2023, the date the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.