

The background features a collage of US currency. The top half shows a grid of 100-dollar bills. The bottom half is a dark green area with a pattern of 50-dollar bills and a faint, stylized seal of the U.S. Department of the Treasury. A diagonal white line separates the two currency sections.

2022 Annual Financial Report

*Age-Old
Craft Meets
Modern Innovation*



The Bureau of
Engraving & Printing

U.S. DEPARTMENT OF THE TREASURY

Mission

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



Core Values

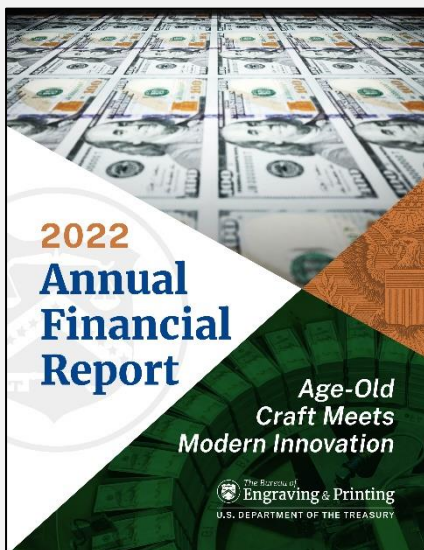
Integrity • Fairness • Performance • Respect



Vision

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

Age-Old Craft Meets Modern Innovation



The Bureau of Engraving and Printing (BEP or Bureau) began printing currency in 1862 with a mission that remains today - To develop and produce United States (U.S.) currency notes, trusted worldwide. Over the past 160 years, currency production at the BEP has evolved into the highly complex, state-of-the-art process represented by the current \$100 note design featured on the cover. The \$100 Federal Reserve note reflects the best aspects of current design that results from the marriage of the traditional art of engraving with today's leading-edge technology applications that, together, support the BEP's mission. To continue to develop and produce the safest, most secure currency in the world, the BEP is

making strategic investments to modernize its currency technology and production facilities. With these investments, BEP ensures its future capability to develop and produce increasingly complex banknote designs necessary for domestic and international commerce. Progress on these major multi-year investment initiatives is described in greater detail later in this report.

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Message from the Director



Leonard R. Olijar

This past year was exciting on many fronts, the most noteworthy of which was progress made on our strategic goal of upgrading our facilities in both Fort Worth, TX and Washington, DC. I am pleased that our expansion of the Western Currency Facility (WCF) in Texas is nearing completion. Additionally, we reached a major milestone with the transfer of land from the United States Department of Agriculture (USDA) to the Department of the Treasury (Treasury) for a new currency manufacturing facility in Beltsville, MD. It will replace the current 100-year-old production facility in Washington, DC (DCF). 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 features to deter counterfeiting and a raised tactile feature to support denomination by the blind and visually impaired community.

During fiscal year (FY) 2022, BEP fulfilled the Federal Reserve Systems' Yearly Currency Order (YCO) on schedule and under budget. In addition, new and innovative security features and a raised tactile feature from our research and development (R&D) program were successfully integrated into the next banknote designs through a series of test trials. Additional testing is planned in FY 2023 and over the next 10 years to ensure that we have manufacturable designs that will function well in commerce.

Along with robust investments in facilities and equipment, we are equally committed to investing in our people to maintain a skilled, adaptive, and diverse workforce. The Bureau's 2022-2026 Human Capital Operating Plan includes a comprehensive workforce planning analysis and identifies strategies to meet existing priorities and future workforce needs for a highly complex manufacturing program. Tantamount among our workforce priorities is the safety and health of our employees. We are committed to maintaining a first-class safety culture at all BEP facilities. Our continued focus on safety and health is evident through the WCF going for 584 days without an Occupational Safety and Health Administration reportable lost-time injury.

In FY 2022, BEP demonstrated our commitment to environmental stewardship through the efficient use of natural resources in a move towards significantly reducing the carbon footprint of BEP facilities. Carbon emissions from BEP facilities are steadily decreasing and over 33% of BEP's electricity now comes from renewable sources. Plans for the new production facility include significant investments to operate with a reduced carbon footprint, support cutting-edge renewable energy systems and provide effective storm water and land preservation. The Bureau intends to continuously invest in our environmental and renewable energy programs and remain a "green neighbor" within our communities.

This year, I had the honor of getting the signature of our first Native American Treasurer, Lynn Malerba, so that we may add it to U.S. currency. The next currency series will also include the signature of Secretary of the Treasury Janet Yellen. For the

first time in our nation's history, our currency will feature the signatures of two women. A small step toward increasing the diversity on our currency and larger steps are coming!

I would like to express my appreciation to all BEP employees for their outstanding efforts during the past year. They continue to amaze me with their resilience and dedication. While much was accomplished, we will again have a full plate for next year. Our collective commitment to the Bureau's mission must continue to be the cornerstone of our work moving forward. Together, we will excel, seek continuous improvement, and celebrate our rich diversity that underlies the strength and resilience of BEP. Only as a high-performing, inclusive team, will we be able to turn challenges into opportunities as we continue to build for the future and meet the demand for safe and secure U.S. currency.

After nearly 35 years of service, I plan to retire from BEP on January 31, 2023. I've had an amazing career, working with many incredibly dedicated, talented and passionate people inside BEP, Treasury, the Federal Reserve System and in the banknote printing community. It has been an honor and privilege to serve my country. There are countless things I'll miss – but most of all, I will miss the people that make BEP and the industry special. I leave behind a tremendous team that will continue to build a better BEP. I wish everyone continued success.

Leonard R. Olijar



Message from the CFO



Steven A. Fisher

I am pleased to present the BEP's Annual Financial Report for the fiscal year ended September 30, 2022. In FY 2022, we continued our commitment to continual improvement and excellence in financial management. I am very proud of the dedicated and talented staff within BEP who have continued our tradition of accountability. With the support of the entire BEP team, the Bureau attained an unmodified Independent Auditor's opinion on its financial statements for the 38th consecutive year. The BEP's track record in financial reporting is a testament to the Bureau's strong control environment and emphasis on integrity and accountability, which are both core values. Our ongoing goal is to provide transparency on our financial operations and full accountability to our stakeholders as we continue our commitment to be effective stewards of United States Currency Program (USCP) resources.

During FY 2022, the BEP's production and delivery of currency notes to the Federal Reserve (FR) generated revenues of \$1 billion, and an excess of revenue over expenses of \$153 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.

This past year the BEP continued to operationalize significant investments in currency manufacturing equipment and implemented process improvements. For example, with respect to investments in new equipment, the BEP continued its multi-year effort to migrate from 32-subject to 50-subject technology by validating and optimizing the use of two Intaglio printing presses valued at \$27 million in our facility located in Fort Worth, Texas. Regarding manufacturing process improvements, the Bureau expanded its utilization of single note inspection technology which minimizes product spoilage. These investments and process enhancements enabled the Bureau to reduce cost and increase productivity which helped the BEP realize savings of over \$20 million in manufacturing costs. Further, as described in the Director's message, the BEP continued to make strategic investments to develop and implement new security features aimed at combatting counterfeiting. In support of this objective, the BEP spent \$70 million in R&D initiatives during the year.

Moving forward, we will remain focused on quality manufacturing, superior customer service, and efficient resource stewardship to effectively position the Bureau to meet or exceed stakeholder needs, operationally and from a financial management perspective. As we face growing challenges and demands, strategic investment in our workforce, cutting-edge technologies and property, plant, and equipment will continue to be pillars of our growth strategy.

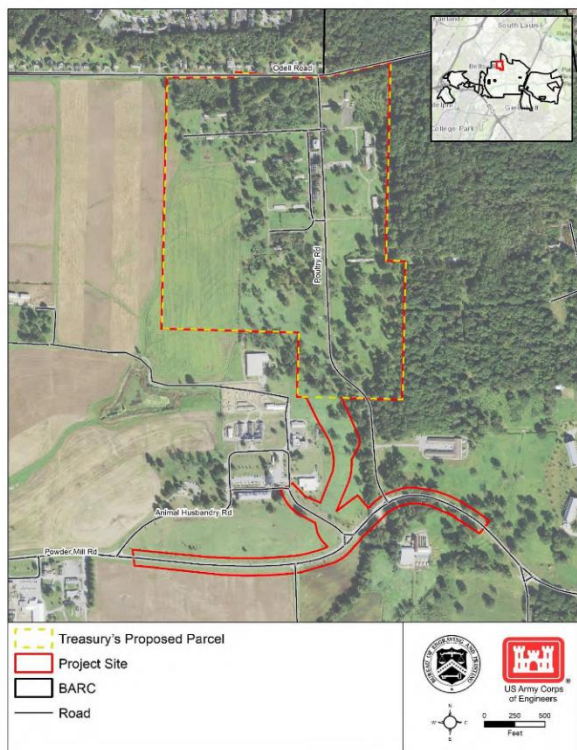
A handwritten signature in black ink that reads "Steven A. Fisher".

Highlights of the Year

During FY 2022, the BEP rose to the challenge of balancing a large YCO with other key priorities in support of the long-term success of the USCP. For the 38th consecutive year, the BEP's financial statements received an unmodified opinion. The Bureau also continued to progress in modernizing its facilities and technology, sustaining and building a diverse workforce, developing the next family of banknotes, improving efficiencies and reducing environmental impacts, all while prioritizing the health and safety of employees.

Major Milestones for the New DC-area Facility & WCF Expansion

The future home of the DC-area replacement manufacturing facility was secured during the year with the transfer of land from the USDA to the Treasury. The BEP now owns a 104-acre property located in Beltsville, Maryland following the execution of an agreement with the USDA and the Treasury which occurred on April 25, 2022 in



New DC-area Manufacturing Facility: Alternative site map.

accordance with Public Law 115-334. The BEP and the United States Army Corps of Engineers (USACE) have worked closely with federal, state and local government since the onset of the project, and the project has received widespread support, including from Maryland Gov. Larry Hogan. Following the land transfer, Gov. Hogan issued a news release stating, "We look forward to seeing the Bureau and its [thousands] of employees call Maryland home."

The official commissioning of the west production area achieved a key milestone in the WCF expansion project in 2022. The west production area is especially significant as it will add 140,000 square feet to the WCF and eventually house production equipment and machinery needed for the next family of redesigned notes. This commissioning was an essential step for the building to become

operational and for BEP to occupy the space. Now, the WCF's focus is to train the facilities and maintenance staff on operating and maintaining the new systems and preparing for the installation of new production equipment and processes.

New Safety Record Achieved



A green “count up clock” displays the number of consecutive days the WCF has gone without a lost time injury.

Employee safety and health remains a top priority at the Bureau. This was exemplified during FY 2022 when a new record was achieved at the WCF - 584 consecutive days without a lost time injury case. A lost time injury is an injury sustained by an employee that renders them unable to return to work until medically released, as defined by the Occupational Safety and Health Administration (OSHA). This new record is a testament of the BEP’s commitment to employee safety.

The new record can be attributed to efforts across the Bureau to raise safety awareness and create a culture that values safety. Specifically, at the WCF, the Safety and Occupational Health Branch collaborated with management and operations in performing ongoing assessments to identify hazards and develop solutions.

These solutions included a program to educate the workforce about safety procedures, to document and communicate safety efforts and to monitor and reward employees for following safety protocols. Additional solutions were implemented, such as enhancing safety features on equipment and machinery. The WCF assigned a specialist to oversee safety procedures including, but not limited to, COVID-19 protocols, department audits, trainings, personal protective equipment and incident investigations.



From left, WCF Associate Director of Manufacturing Ron Voelker, Acting Safety and Occupational Health Branch Manager Matthew Jendusa, Safety and Occupational Health Specialist James Sullivan and Facilities Management Division Manager Marc Dijamco in front of the WCF Safety Center.

FY 2022 YCO

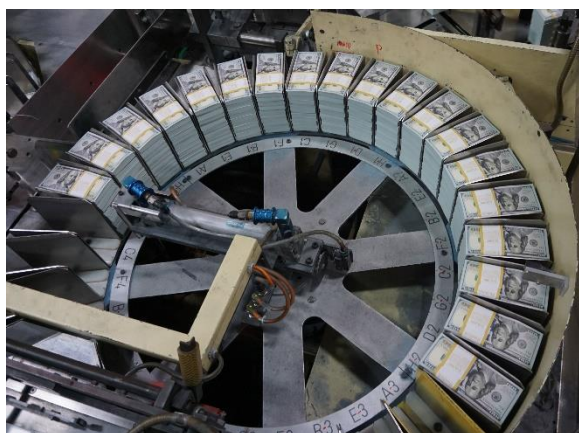
Throughout FY 2022, the national and global economies faced residual impacts from the pandemic, causing the demand for currency to shift. Through ongoing consultation with the FR, the BEP delivered 6.4 billion notes in FY 2022. This was approximately a 9% decrease – a 600 million note decrease – from the final FY 2021 print order.

This year-over-year decrease reflects the balance between the need for currency and advancing other aspects of the USCP. During FY 2022, the FR experienced a gradual return to pre-pandemic cash flows and the demand for notes has gradually declined compared to pandemic levels.

This allowed the FR and the BEP to refocus on the long-term success of the USCP's strategic priorities, some of which were deferred during the pandemic. These essential projects include, but are not limited to, (1) planned development and testing for the new family of notes, (2) installation and validation of new equipment and (3) the transition to printing \$20 notes on 50-subject sheets for improved efficiency.



\$100 notes on the Letterpress print and processing equipment. In this step, the printed currency sheets head to the cutting process, in which 100-sheet stacks pass through two sharp cutters. This results in individual notes, 100 to a pile (one strap), which are bound with denomination bands and sent to the carousel.



\$100 notes rotate on the print and processing press carousel. This rotating carousel collects 10 straps of notes and bands them together, resulting in a stack of 1,000 notes (one bundle). These notes are then shrink wrapped prior to delivery to the vault, for pick-up by the Federal Reserve.



Diversity, Equity, Inclusion and Accessibility

Throughout FY 2022 – in support of Executive Order 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce* – the BEP implemented policies and programs to enhance BEP’s diversity, equity, inclusion and accessibility (DEIA) efforts and strengthen the Bureau’s ability to recruit, hire, develop, promote and retain a talented workforce reflective of the nation’s diversity.

The BEP’s Deputy Director/Chief Administrative Officer took on the Diversity and Inclusion Officer role, which is responsible for providing strategic direction and aligning the BEP’s and the Treasury’s DEIA efforts with executive orders and other applicable federal laws and regulations. In addition, the Office of Equal Opportunity and Diversity Management (OEODM) created a new position, the Anti-Harassment Coordinator (AHC), to oversee the implementation of the Bureau’s Anti-Harassment Program. During FY 2022, the OEODM offered multiple virtual office hour sessions to provide an opportunity for employees to engage with staff, ask questions and address concerns regarding BEP DEIA programs.

The OEODM also hosted multiple events throughout 2022 to further promote and foster inclusion and equity at the BEP. In January, in celebration of Martin Luther King, Jr., Day, the BEP invited employees to attend a webinar featuring Ryan Jones, National Civil Rights Museum Educator and Historian, of the Lorraine Motel in Memphis, Tennessee, where King was assassinated. The webinar highlighted King’s everlasting legacy, encouraged employees to reflect on his legacy and highlighted the work still left to be done. In September – in recognition of Women’s Equality Day – the OEODM hosted a virtual panel discussion featuring women leaders across the Bureau working in traditionally-male fields. Deputy Director/Chief Administrative Officer, Marty Greiner, led the event, and panelists included the Deputy Director/Chief Operating Officer, Charlene Williams; Associate Director Yolanda Ward; Supervisory General Engineer Tiffany Robinson; and Supervisory Police Officer Virginia Tisino. The panelists shared their work experiences and motivations to influence and inspire positive professional and organizational outcomes.

The Bureau is also making efforts to remove barriers for low-income and first-generation professionals, college students and members of underserved communities through the expansion of paid internships. Throughout FY 2022, three interns were hired in the OEODM and two in the Office of Information Technology (IT) Security. These student-interns gained valuable on-the-job training and experience, as well as opportunities to hone their skills and develop career goals. In turn, the BEP gained highly motivated individuals with fresh, innovative ideas and a pipeline for future talent reflective of the nation’s diversity. Within the BEP’s strategic roadmap, paid internships are an essential step toward a more equitable and inclusive workplace demonstrative of the Bureau’s core values.

Newly Appointed Treasurer of the United States

On September 12, 2022, Marilynn “Lynn” Malerba, Chief of the Mohegan Tribe, was officially sworn-in as the 45th Treasurer of the United States. As Treasurer, Chief Malerba is the first Native American to serve in the position.

Chief Malerba will lead the newly established Office of Tribal and Native Affairs and serve as a senior advisor to the Secretary of the Treasury in the areas of community development and public engagement. In 2010, Chief Malerba became the 18th Chief of the Mohegan Tribe and is the first female to serve in this position in the Tribe’s modern history. She also previously served as a member of the Treasury Tribal Advisory Committee.

Chief Malerba’s appointment as Treasurer of the United States is a historic moment. For the first time in U.S. history, the signatures of a Native American woman and a female Secretary of the Treasury will appear on U.S. currency, specifically on the Series 2021 currency notes.



Treasurer Marilynn “Lynn” Malerba participates in an official signing ceremony as Treasury Secretary Janet Yellen looks on.



From left, BEP Director Len Olijar, Treasurer Malerba and Secretary Yellen pose after the signing event September 12. Director Olijar holds the document with Treasurer Malerba’s signature.



Special Security Products

In July, the BEP welcomed Department of Veterans Affairs (VA) Under Secretary for Memorial Affairs Matt T. Quinn to the DCF for a production tour and visit to the BEP's Miscellaneous Manufacturing Branch. In addition to producing U.S. currency, BEP produces many additional special security documents issued by other federal agencies of the U.S. government, which may require counterfeit deterrence due to their innate value or other characteristics.



Medal of Honor certificate produced by BEP's Miscellaneous Manufacturing Branch for the U.S. Army.

The Miscellaneous Manufacturing Branch produces the Purple Heart, Bronze Star, Legion of Merit, Distinguished Service, Medal of Honor, and a host of other certificates. The certificates vary based on which of the services the medal is being awarded. The printing process for these certificates is complex and requires a high-level of precision to achieve a clean and lustrous print. The BEP's expert printers take the utmost care to ensure the documents appropriately supplement the significance of the physical medal awarded.



From left, VA Under Secretary for Memorial Affairs Matt Quinn, Plate Printer Assistant Supervisor Mike Beck and Plate Printer Jose Del Toral in the Miscellaneous Manufacturing Branch at the DCF.

The Bureau has a long legacy of supporting the U.S. armed forces dating back to the Civil War and is one of the top government agencies for employing veterans. The BEP is committed to its role in printing symbols of patriotism that honor the service of military men and women.

WCF Environmental Excellence Awards



From left, Fort Worth Assistant Water Director Jerry Pressley, Fort Worth Water Director Chris Harder (in back), Associate Director of Manufacturing (WCF) Ron Voelker, Environmental Branch Supervisory Engineer Virginia Baldwin, Plate Printer Assistant Supervisor Dustin Ford (in back), Environmental Engineer Lauren Lee, Fort Worth Environmental Program Manager Laly Joseph, and Fort Worth Senior Environmental Specialist Jennifer Flood pose during the 2022 City of Fort Worth Environmental Excellence Awards event.

The BEP's WCF was presented two environmental awards by the City of Fort Worth Water Department during the annual 2022 Environmental Excellence Awards ceremony November 10, 2022. During the ceremony, the WCF received the Pretreatment Stewardship Award, which is given to companies with 100% environmental compliance for 11 or more years. The award is the highest-level pretreatment award of the four levels: Star, Associate, Partnership and Stewardship. The WCF also received a Pollution Prevention Award for its Bottcherin Solvent Recycling Project in the Plate Printing Section. With six fully operational Super Orlof Intaglio III presses, the WCF anticipates recycling at least 6,000 gallons of Bottcherin solvent per year. The recycled solvent is used for manual cleaning of all presses in the section. Both environmental awards illustrate the WCF's commitment to the environment and the City of Fort Worth.

Profile of the Bureau of Engraving and Printing

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 an amount sufficient to fund capital investment and to meet working capital requirements in the prices charged for products. This eliminated the need for direct annual appropriations from Congress.

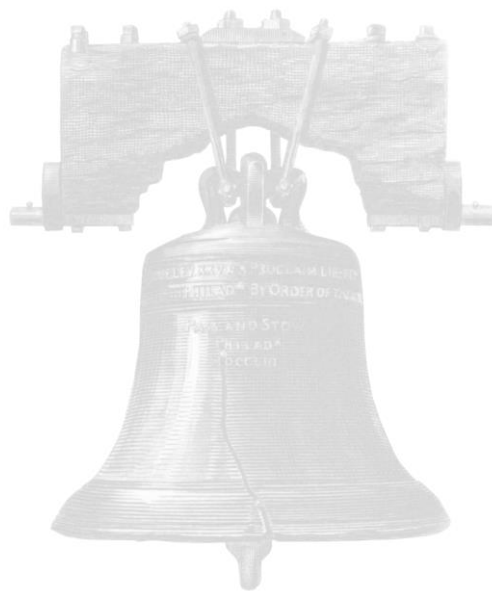
The Bureau produces U.S. currency and many other security documents issued by the federal government. Other activities at the Bureau include manufacturing engraving plates, dyes and specialized inks; purchasing materials, supplies and equipment; and storing and delivering products in accordance with 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 FR 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 and DCF Annex buildings, located in Washington, DC, house research and development activities and produce FR notes and other security products. The DCF building became operational in 1914 and the Annex building in 1938. The WCF began operations in 1991 and produces FR notes. The WCF was constructed 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, as of 2022 the BEP owns 104 acres of land in Beltsville, Maryland and plans are underway to construct a new currency facility at this location to eventually replace the existing DCF.

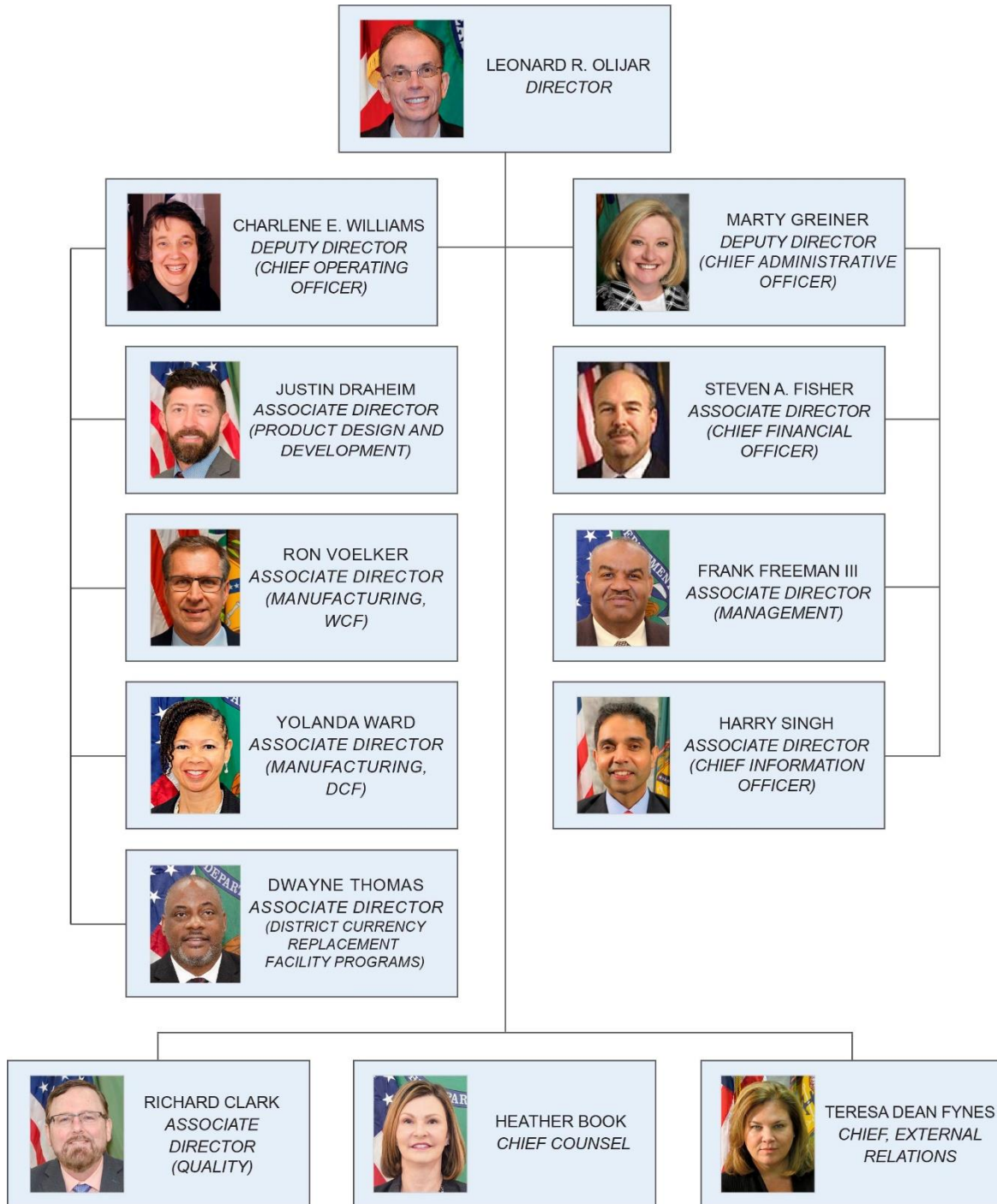
Prior to the COVID-19 pandemic, both the DCF and the WCF provided free tours of the currency production process to the public. Both facilities have visitor centers with currency manufacturing displays, interactive kiosks and information about the history of our nation's currency. The visitor centers also sell uncut currency sheets, vignettes of engravings and other collectibles. Currently, public tour operations and visitor centers remain temporarily closed as a precautionary measure due to the ongoing COVID-19 pandemic. The souvenirs remain available for sale through mail order and the U.S. Mint's website.

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), eight 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 midlevel 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.



Executive Organizational Structure

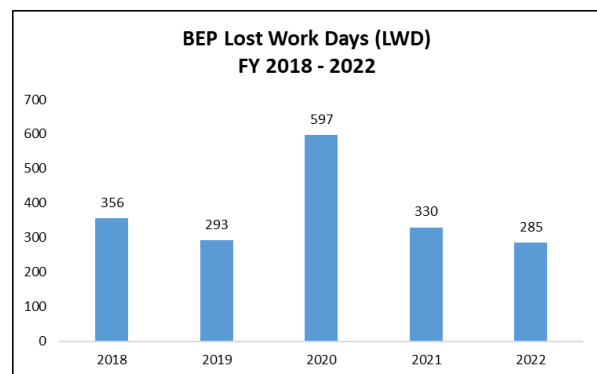
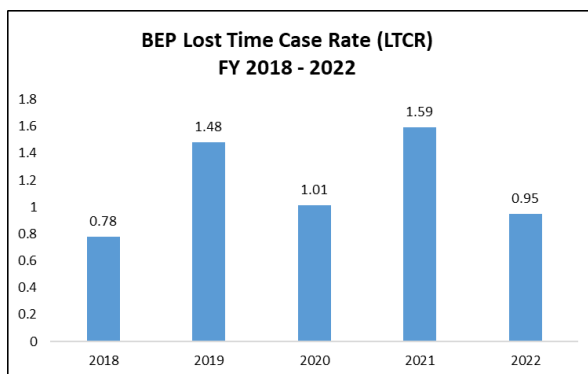


Safety, Health and Environmental Management

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's continual improvement of the management system is demonstrated by the positive results of ISO 14001 third-party audits and 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 resulted 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 recordable lost time cases per 100 employees (LTCR) and lost workdays (LWD), as defined by OSHA. The OSHA LTCR is calculated by multiplying the number of lost time cases by 200,000 (hours worked annually by 100 workers) divided by the BEP's total number of hours worked. In FY 2022, the LTCR and the LWD decreased significantly from FY 2021.



The Bureau's LTCR in FY 2022 was 0.95 cases per 100 employees, a 40% decrease from FY 2021's 1.59. The BEP's LWD in FY 2022 decreased 14% compared to FY 2021. The significant decreases can be largely attributable to a targeted initiative to refocus 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

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

During FY 2022, the BEP performed health and safety risk assessments for several departments to proactively identify hazards and develop targeted controls. The Salesforce Deficiency Abatement Tracking System was successfully implemented and will enhance OEHS' and SOHB's ability to make data driven decisions and target future safety initiatives based on inspection findings. The COVID-19 pandemic continued to impact operations, and the BEP continued its efforts to ensure critical production operations continued safely, in accordance with the Centers for Disease Control and Prevention guidance and in compliance with all applicable regulations, including social distancing, temperature screenings, issuance of mandatory PPE, use of social distancing and contact tracing devices, and offering administrative leave hours for the COVID-19 vaccine and booster. The BEP also provided information sessions to employees for the workers compensation and the light and limited duty programs. In FY 2023, the BEP will continue to prioritize employee health and safety by striving to:

- Continue efforts to prevent the spread of COVID-19 within the workplace.
- Implement an ergonomics software tool enabling employees to assess and improve the ergonomics of their home and office workstations. The software will also allow for comprehensive onsite or virtual assessments by OEHS and SOHB, and individual and Bureau-wide report generation.
- 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.
- Intensify the focus on incident reviews by including employee representatives in all investigations and conducting round table reviews, including the division manager for approval of the causal factors and hazard mitigations. Union representation and active management involvement will lead to a decrease in similar repeat injuries.

Protecting the Environment

During FY 2022, the BEP reduced greenhouse gas (GHG) emissions by 15.4% year-over-year from FY 2021, which is attributable to the completion of energy efficiency projects and increased renewable energy purchases. Since FY 2008, the BEP has reduced its GHG emissions by 49.7%, for an average reduction of 3.3% per year. Currently, 33.9% of the BEP's total electricity comes from renewable energy sources. In comparison to FY 2021, the number of currency notes printed on intaglio presses decreased by 0.2%, while the generation of regulated wastes (air, water and industrial solid wastes) increased by 1.2%. The increase in waste generation is primarily due to increased wastewater, which the BEP aims to reduce through a wiping solution recycling process.

The Bureau remains committed to reducing the environmental impact of operations. The following are specific ongoing FY 2022 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, 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 2022, the BEP reclaimed 282.4 million notes at the WCF and 35.2 million notes at the DCF, which diverted 349.8 tons of currency wastepaper materials from solid waste disposal. Without reclaiming these notes, BEP would have used an additional 100.9 tons of ink and 4.3 tons of solvent to complete the YCO, which would have generated an additional 1.1 million gallons of wastewater, 2.5 tons of air pollutants and 88.5 tons of industrial solid and hazardous wastes.

Wiping Solution Recycling Plant (WSRP) – Wastewater generated from onsite pretreatment of wiping solution is the Bureau's largest industrial waste stream. The plant can either clean used water-based solution for reuse on currency presses or produce 100% fresh (unrecycled) wiping solution. During FY 2022, the system only generated fresh wiping solution, however, the DCF implemented process improvements expected to enable wiping solution recycling. Currently, the facility is developing plans to test the recycling process, and depending on the test results, may begin wiping solution recycling during FY 2023.

Replacement Currency Facility – OEHS is significantly involved in the Washington, DC area replacement facility 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 will be designed to meet Leadership in Energy and Environmental Design (LEED) Silver classification and will include interior and exterior water efficiency and recycling features, low air pollutant emissions and a 5-megawatt rooftop solar array. The new facility is expected to improve the energy efficiency of DCF operations and to reduce the Bureau's carbon footprint.

High-Efficiency Lighting Systems – The DCF and the WCF are upgrading 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, BEP initiated the project's second phase, the re-lamping of production wings, which is expected to save an additional 1,850 MWh of electricity and yield a GHG emissions reduction of 604 metric tons of carbon dioxide every year once completed. This project is planned for completion in FY 2023, and the DCF has received a rebate from the DC Sustainable Energy Utility (DCSEU) as a result. At the WCF, the re-lamping project is expected to provide an annual savings of 1,238 MWh and 877 metric tons of GHG emissions.

Plant Optimization Systems – The WCF is implementing a Central Plant Optimization project to increase plant efficiency through predictive control machine learning technology. Additionally, to achieve optimal efficiency, the WCF will adjust the chillers, heat exchangers, pumps, boilers, cooling towers and other plant equipment. The plant modeling will be conducted during the project, but annual energy savings is conservatively estimated around 5%, a reduction of 540 MWh and 383 metric tons of GHG.

Improved Air Handler Efficiency – During FY 2021, the DCF awarded a contract to install variable frequency drives on 18 air handlers at the facility. This was initiated during FY 2021 and was substantially completed and operated during FY 2022. The BEP estimates this project will reduce annual energy consumption by 20 billion British Thermal Units, yielding a GHG reduction of 1,940 metric tons. This project may also qualify the DCF for a significant DCSEU rebate.

Physical Vapor Deposition (PVD) Plating – In early FY 2022, the DCF installed a PVD coating unit specially designed for intaglio plate production. Short-term, the unit will be used to test and prove the new process and in the long-term, PVD is expected to be the hard chromium electroplating process used at BEP facilities. The PVD process occurs under an extreme vacuum in a noble gas environment and eliminates the formation of hexavalent chromium. Occupational exposures are eliminated while the unit is in full operation. While hard chromium electroplating generates large amounts of wastewater and hazardous waste, PVD plating eliminates these wastes, with negligible air emissions. The BEP plans to install a PVD unit at the WCF during FY 2023.

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 2023 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 will 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 Treasury strategic plan by providing trusted and secure U.S. currency notes for public use, while continuing to implement its own five-year strategic plan (2018-2022). 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 quality currency production, cost control, environmental stewardship and 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 our stakeholders' expectations.
- (3) **Excellence:** To achieve overall excellence by balanced investment in people, processes, facilities and technology.

These goals are accomplished through execution of the following eight objectives:

- (1) **Meet customer expectations:** Consistently deliver high quality products and services that meet or exceed customer expectations and requirements.
- (2) **Improve quality:** Enhance the quality assurance (QA) system to assure efficient and effective note production, optimized production support, and administrative processes and practices.
- (3) **Deliver new security features and capabilities:** Test, develop, implement and deliver innovative and effective security features, and provide meaningful access for blind and visually impaired individuals.
- (4) **Develop next family of banknotes:** Design, develop and test production-ready 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 for both facilities, that will allow for the continued delivery of efficient, secure and accessible currency.
- (6) **Modernize and protect information technology:** Modernize and protect information technology while maintaining current operational functionality cost-effective through transitions.

- (7) Improve organizational efficiency, effectiveness, and sustainability:** Enhance efficiency and effectiveness 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 diverse, inclusive, high performing and 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.

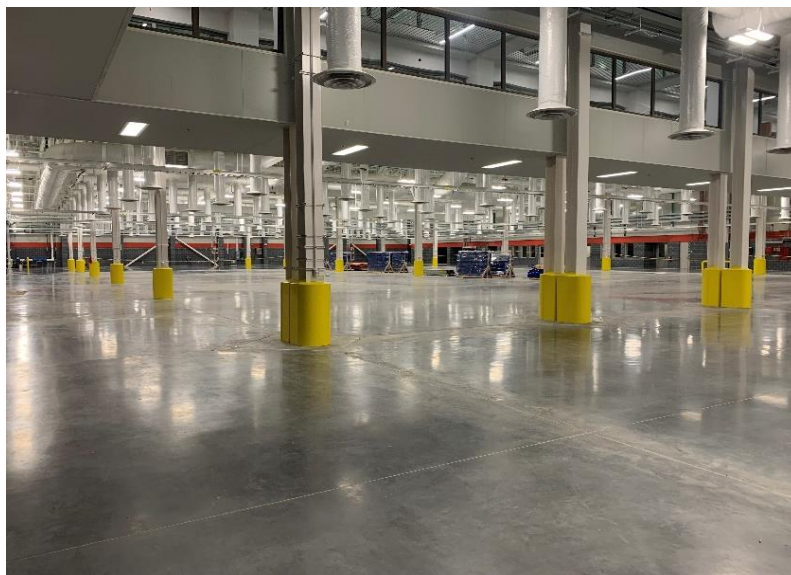


Facility Modernization

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

WCF Expansion Project

The WCF expansion project continued to make significant progress in FY 2022 and will provide the infrastructure and systems needed to support critical facility and production needs. The commissioning of the west production area – a major FY 2022 milestone – allows the BEP to successfully occupy the newly constructed area and move forward with its plans for the space.



WCF Expansion Project: One part of the expansion area to provide space for the new processes and equipment.

Significant progress was also made on the new south production area, and with completion of the building exterior, the interior work is underway. The area will accommodate a new vault and new equipment related to reclamation. The additional vault will double the current storage capacity and put the WCF in a strategic position to expand inventory levels, which will be crucial as the BEP continues to work with the FR to address contingencies and ensure a safe and secure supply of currency. The new reclamation equipment will allow the BEP to inspect finished currency using state-of-the-art technology and ensure finished notes meet stringent quality standards.

Additional key milestones include construction of the new chemical storage facility, completion of a new plating line and progress on the second floor of the administrative addition. The new chemical storage facility will house all hazardous chemicals in a controlled environment with a new chemical dispensing system to support production operations. The new building is expected to lessen the BEP's environmental impact by preventing potential spills and increasing efficiency and traceability of chemical usage. The new plating line will support the new larger-size equipment. The second floor of the administration addition will incorporate a new layout to improve functionality across departments and increase capacity for a growing workforce.



WCF Expansion Project: New chemical storage facility.

Once completed in 2023, the WCF expansion project will provide approximately 300,000 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.



DC-area Replacement Manufacturing Facility

The DC-area replacement manufacturing facility project continued to progress in FY 2022, 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 working with the USDA to relocate its existing operations from the site in Beltsville, Maryland before proceeding with preparation for the construction of the new facility.



New DC-area Manufacturing Facility: Aerial rendering.

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 have been developed based on the EIS and other studies, and the 35% design for the new facility has been approved by 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 Silver 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 have increased in complexity to incorporate improved counterfeit deterrence, machine readability and accessibility to the blind and visually impaired. This increased complexity has required many improvements in the BEP's quality assurance systems and processes to maintain notes' fitness and reliable use in commerce.

The FY 2022 currency order required verifying and validating many new production processes to optimize high quality production output. To support currency demand, \$100 note production was increased 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. 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 2022, 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 2022, the BEP fulfilled its mission in the midst of shifting currency production demands, the COVID-19 pandemic and development of future banknotes. 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 2022, the CQA program successfully completed more than 30 improvement initiatives leading toward long-term quality systems maturity. In FY 2022, 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 of FY 2022. 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, a new initiative under the Quality Directorate, increased the Operational Availability Rate of critical-to-quality assets from 95% to 100%. In addition, the number of assets controlled by the calibration program increased by approximately 12% during FY 2022.

Corrective and Preventative Actions (CAPA)

The CAPA process identifies, tracks and corrects the causes of nonconformances or potential nonconformances in U.S. currency production. These nonconformances are identified through customer complaint and internal and external quality audits. Continual improvement of CAPA centers on more rigorous root-cause investigations and thorough documentation of the corrective action plans.

The CAPA system has matured through BEP staff's continual focus, effort and leadership, which has led to continuous system improvement. The CAPA Council's official charter was approved this year by the Associate Director of Quality, the Deputy Director/Chief Administrative Officer and the Deputy Director/Chief Operating Officer. Council membership was expanded to the Offices of Product Development and Quality Operations.

Customer Satisfaction and Communications

The Bureau holds a biannual CAPA review with the FR 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 2022, several complex CAPA investigations were successfully investigated and resolved by the BEP's quality engineers, QA specialists and scientists, in addition to, multiple directorates across the BEP, suppliers, the United States Secret Service (USSS) and the FR. For FY 2022, this type of collaboration and communication were key in effectively addressing and resolving quality concerns.

Ready to Ship Quality

In FY 2022, 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, while working with fewer onsite staff due to COVID-19 precautions. A Notice of Defect (NOD) check was also added for Final Release to ensure that a product with an identified defect was addressed appropriately prior to release. Plans were also initiated to replace the aging BPS3000 currency processing equipment utilized in the QA Release Process with new next generation technology.

Quality Management Controls

In FY 2022, external ISO Registrar auditors conducted the BEP's ISO 9001:2015 surveillance audits and both facilities retained certification with no noted nonconformance. The auditors noted several strengths, including noted improvements to the BEP Quarterly Quality Management System (QMS) Review and the world-class Quality CAPA System.

In FY 2022, the Bureau completed an initiative to improve the Quality Management System Review (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. Due to the pandemic in FY 2022, the team demonstrated flexibility and resilience by successfully completing virtual 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 2022, supply chain improvements were sustained, reducing requisition backlogs in providing critical quality materials when needed to meet customer deliveries. 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. Moving to the unified Laboratory Information Management System in all Quality Laboratories created a vast amount of data that is centrally stored and accessible on a secure SharePoint website. 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 2022 Quality Key Accomplishments

The Bureau conducted virtual supplier audits that resulted in suppliers improving their processes to ensure delivery of high-quality raw materials used in manufacturing U.S. currency. Supplier management continues to take on a more collaborative approach. QA specialists worked with the Manufacturing Directorate to assure product quality 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 2022, 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.

In FY 2022, the new Ink Laboratory construction was completed to provide improvements to the 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 held several successful training classes. 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 and certification in the Federal Acquisition for Program and Project Managers program. Further, in FY 2022, several Quality Directorate employees either earned P/PM certification or increased their certification levels.



Program Performance Measures

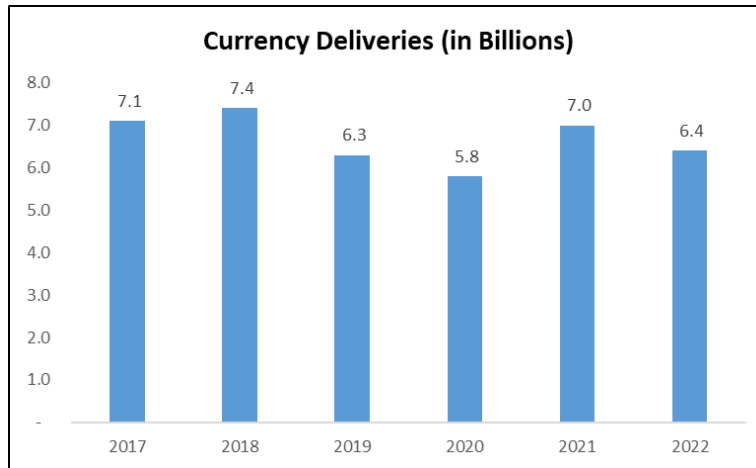
The Bureau uses program performance measures to quantify the effectiveness and efficiency of overall organizational performance. The SET annually develops standards based on the prior year's performance, price factors and anticipated productivity improvement. Actual performance against the standards depends on the Bureau's ability to meet annual currency production spoilage, efficiency and capacity utilization goals.

FY 2022 Bureau-level Performance Measures and Associated Results

Performance Measure	2022 Standard	2022 Actual
1. Federal Reserve notes (Cost per thousand notes)	\$66.43	\$63.96
2. Federal Reserve notes delivered (billions)	6.4	6.4
3. Productivity change FY 2021 to FY 2022	-6.3%	-2.5%
4. Currency spoilage	8.2%	7.1%

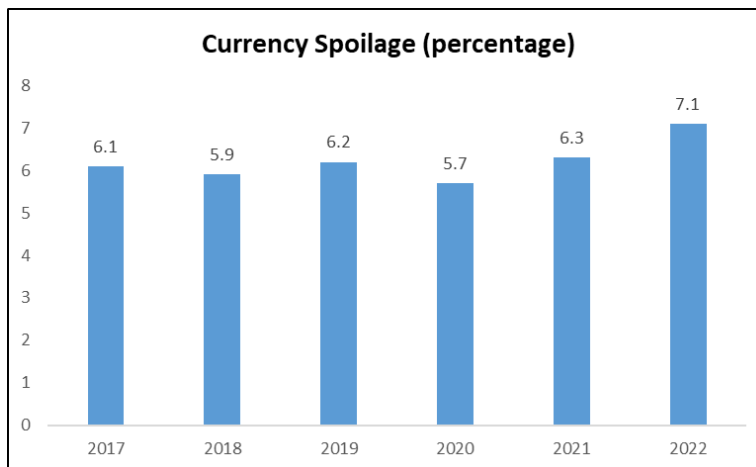
The Bureau does not receive a direct annual appropriation; operations are financed by a revolving fund reimbursed through product sales. Customer billings are the Bureau's only means of recovering the costs of operations and generating the funds necessary for capital investment. Billing rates are based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

The actual production cost per thousand currency notes – including direct labor, materials and applied manufacturing overhead – was below the budgeted (standard) cost in FY 2022 due to material savings achieved from lower-than-expected spoilage. The spoilage savings was driven by 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 FY 2022, 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 notes on SNI equipment, resulting in significant spoilage savings.



In FY 2022, the Bureau produced and delivered nearly 6.4 billion notes to the FR. Deliveries and billings are based on the FR's orders and the FR annually submits its currency delivery requirements to the BEP. For FY 2023, the FR's initial order was a range of 4.5 to 8.6 billion notes. As currency needs shift, the BEP will continue to meet with the FR and make necessary adjustments.

Productivity is calculated based on units of output per labor hour. In FY 2022, overall productivity decreased by less than projected due to increased output achieved from expansion of the SNI reclamation process to the \$50 notes at the WCF. The increased output allowed the Bureau to begin producing notes in FY 2022 to be delivered in the next fiscal year, towards the FY 2023 order.



Spoilage, an inherent result of any production process, is a key indicator of the overall effectiveness of the production process and quality of material inputs. In FY 2022, overall currency spoilage was below established standards, due to the continued reclamation of the \$1, \$5, \$20 and \$100 notes through the SNI process, along with expansion of the SNI process to include \$50 notes during the year.

2020-2022 Comparable Performance Measures

Performance Measure	2020	2021	2022
1. Federal Reserve notes (cost per thousand notes)	\$56.19	\$61.81	\$63.96
2. Federal Reserve notes delivered (billions)	5.8	7.0	6.4
3. Productivity change year-to-year	-10.5 %	14.3%	-2.5%
4. Currency spoilage	5.7%	6.3%	7.1%

New cost and spoilage standards are developed annually for all product lines produced at the Bureau. Only actual manufacturing cost and spoilage data are presented because the performance to standard measure is only meaningful in the applicable year.

Prompt Payment

To ensure that federal agencies pay invoices in a timely manner, Congress passed the Prompt Payment Act and the Office of Management and Budget (OMB) issued Circular A-125, which is now codified as part of the Code of Federal Regulations (CFR).

Generally, the CFR requires payment within 30 days from the latter of either the receipt of a proper invoice or acceptance of the goods/services. If this time frame is not met, an interest penalty must be paid to the vendor. Within the Treasury, the late payment rate standard is that no more than 2% of the invoices subject to prompt payment shall be paid late (i.e., at least 98% are paid within 30 days).

BEP's prompt payment performance (2020-2022)

Performance Measure	2020	2021	2022
Number of invoices paid late	151	19	3
Interest paid	\$11,277	\$1,377	\$458
Percentage of invoices paid late	3.23%	0.36%	0.05%

In FY 2022, the BEP paid 99.95% of all invoices on time and the percentage of invoices paid late and interest penalties decreased significantly from prior years. 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 FY 2022 prompt payment performance rate. The team continues to meet biweekly to ensure the Bureau's prompt payment performance rate is within or below the Treasury's acceptable range of 2%.

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 increased by \$40.4 million due to cash recovery related to capital investment projects. Cash flows provided by operations were \$163.3 million and \$59.8 million, in FY 2022 and FY 2021, respectively.

Accounts Receivable

Accounts receivable increased by \$1.9 million. This was due to an increase in receivables from the FR for the capital investment projects at the end of FY 2022 in comparison to the end of FY 2021.

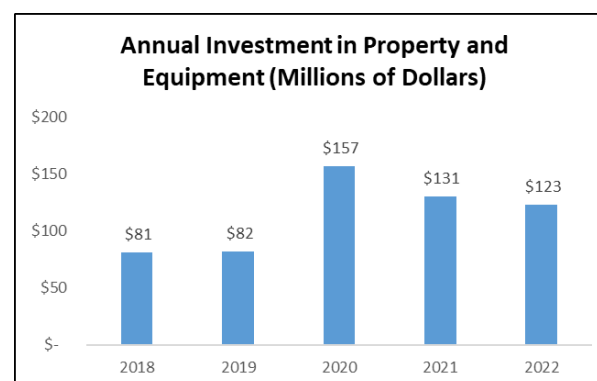
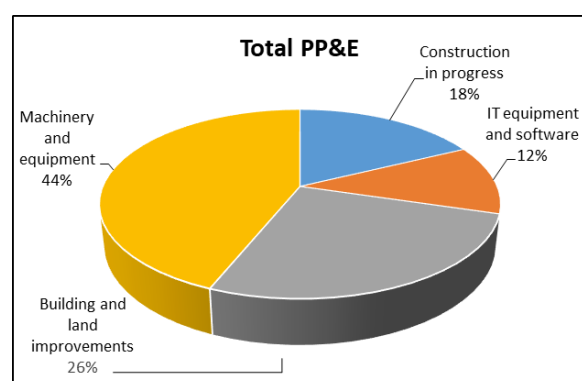
Inventories

Net inventories increased by \$39.5 million due to additional finished goods completed towards the end of FY 2022 to be delivered to the FR as part of the next fiscal year's currency order, as well as additional inventory pending quality inspection.

Prepaid Expenses

Prepaid expenses decreased by \$0.1 million from FY 2021 due to a reduction to the remaining postage balance.

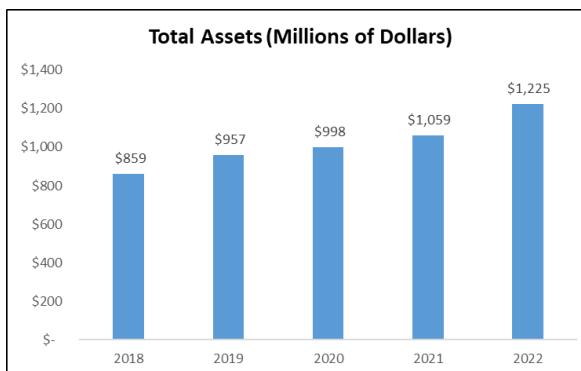
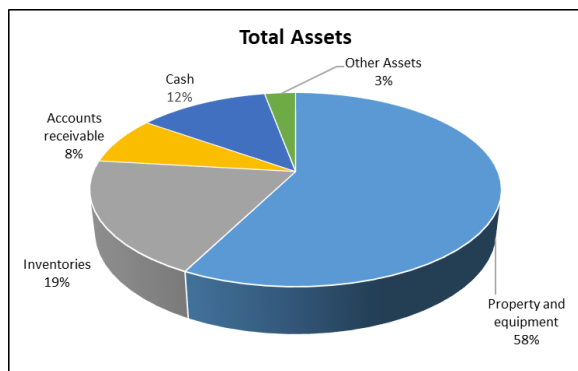
Property and Equipment



Net property and equipment increased by \$80.8 million. The increase is attributed to capital investments in currency manufacturing equipment and construction projects in excess of depreciation.

Other Assets

Other assets increased by \$3.8 million in FY 2022, which was related to increased receipt of repair part inventories.



Accounts Payable

Accounts payable increased from \$29.0 million in FY 2021 to \$35.8 million in FY 2022 due to annual rate increases for the purchase of paper materials and other supplies from commercial vendors.

Accrued Current Liabilities

Accrued current liabilities increased from \$38.6 million in FY 2021 to \$39.6 million in FY 2022 due to timing of payroll disbursements.

Advances

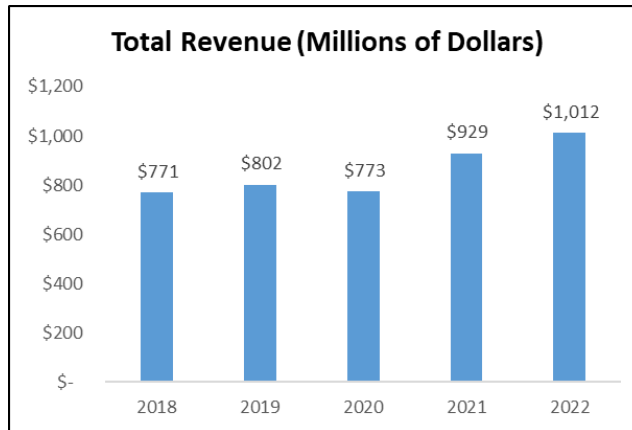
Advances increased from \$7.7 million in FY 2021 to \$9.1 million in FY 2022 primarily due to unsettled mutilated currency claims.

Workers' Compensation Liabilities

The actuarial workers' compensation liability decreased from \$54.4 million in FY 2021 to \$51.1 million in FY 2022, due to a decrease in the overall estimated liability for future Federal Employees' Compensation Act (FECA) benefits for the Department of the Treasury.

Revenue

Overall, revenue increased by \$83.1 million, from \$928.9 million in FY 2021 to \$1,012.0 million in FY 2022. Revenue from currency sales increased by \$36.1 million. Additional revenues of \$47.0 million were recorded related to the WCF expansion and the DC-area replacement manufacturing facility projects.

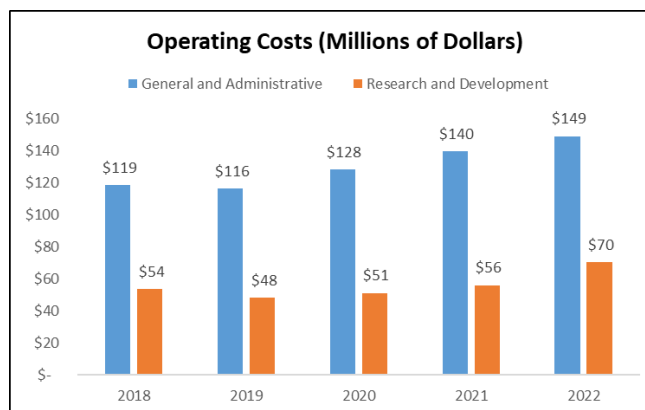


Cost of Goods Sold

Cost of goods sold decreased by \$32.8 million from \$671.7 million in FY 2021 to \$638.9 million in FY 2022. 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 \$23.8 million in FY 2022, mainly due to an increase in research and development expenses. The BEP dedicated additional machines, along with additional ink and paper, to planned development and testing during the year on the new family of notes, along with validation of new equipment.



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 2022, 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 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:

- Key elements of this program include 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 with personnel knowledgeable in all aspects of the Bureau's accountability system. They provide training and day-to-day assistance to accountability system users to prevent, minimize or resolve product accountability issues. In addition, they review and update existing accountability procedures and reports to provide the controls needed to properly track and account for Bureau securities.

Ongoing efforts to improve internal controls include compliance reviews and an active internal control awareness program. The Bureau conducts compliance review tests 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 2022, the BEP performed 145 unannounced reviews. The results of the reviews were reported to office chiefs, supervisors and managers responsible for enforcing policies and procedures and implementing corrective actions.

The Internal Control Awareness Program 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 38th 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 2022, 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 certification and accreditation 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% 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 the Oracle E-Business Suite – 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 "cloud-based" and hosted by the Oracle Managed Cloud Service (OMCS). 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.

To improve the overall security posture of the BEP information systems, the Office of Critical Infrastructure and IT Security (OCIITS) worked closely with the OC to implement corrective action plans for Notice of Finding and Recommendations (NFRs) resulting from the FY 2021 financial audit. Further, the CIO Directorate participated in the FY 2022 Financial Statement Audit and A-123 audit on the BEP's MSS financial system. OCIITS supported the audit efforts by facilitating direct observation meetings and providing security artifacts requested by the auditors. The BEP continues to design and implement controls to comply with the OMB Circular A-123, "Management's Responsibility for Internal Control and the Government Accountability Office's Federal Information System Controls Audit Manual" standards.

In compliance with the BEP's security parameters and SP NIST 800-53 Rev 5 (Security and Privacy Controls for Information Systems and Organizations) guidelines on privileged account management, the CIO Directorate conducted the annual review and recertification of MSS privileged user accounts and responsibilities. The CIO Directorate is responsible for coordinating the review process with business owners to evaluate the business need for each MSS user, including responsibilities granted, and the removal/modification of user accounts and privileges based on access requirements to perform business needs. The FY 2022 recertification successfully removed 792 users' privileges no longer required to perform a business need.

In FY 2022, 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 100 administrators on the BEP domain and more than 500 local administrator accounts within CyberArk in FY 2022. 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 plans for the Bureau's major systems that support financial operations such as MSS, which was completed on April 16, 2022. During FY 2022, the CIO Directorate planned and executed an assessment of IT security controls for BEP systems hosted on the Oracle cloud service, OMCS. These onsite 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, 2022, 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.

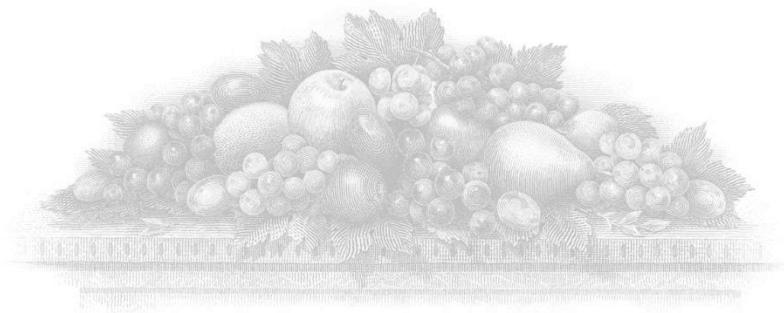
Custody of Assets

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, 2022.

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, 2022.

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 2022 with five open recommendations and the Treasury's Office of Inspector General issued 16 new recommendations during FY 2022. These pertained to training, policy and/or procedural adherence and internal controls. During FY 2022, the Bureau implemented corrective action on 18 recommendations and is continuing efforts to implement three 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 have been prepared to report the financial position, results of operations and cash flows of the Bureau. They have been prepared from the Bureau's financial books and records maintained in accordance with private sector generally accepted accounting principles. These statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.



Financial Statements

Years ended September 30, 2022 and 2021

(With Independent Auditors' Reports Thereon)



**THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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KPMG LLP
Suite 12000
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Independent Auditors' Report

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

Report on the 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, 2022 and 2021, and the related statements of operations and cumulative results of operations, and statements of cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bureau as of September 30, 2022 and 2021, 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. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 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. 22-01 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. 22-01, 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, 2022, 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 Bureau'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.



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, 2022 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. 22-01.

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 15, 2022

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

Balance Sheets
As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
ASSETS		
Current Assets		
Cash (Note 3)	\$ 150,451	\$ 110,048
Accounts Receivable (Note 10)	97,555	95,678
Inventories, Net (Note 4)	236,696	197,214
Prepaid Expenses	129	221
Total Current Assets	484,831	403,161
Property and Equipment, Net (Note 5)	705,014	624,221
Other Assets, Net (Note 6)	35,645	31,849
Total Assets	<u>\$ 1,225,490</u>	<u>\$ 1,059,231</u>
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities (Notes 7 and 8)		
Accounts payable	\$ 35,761	\$ 28,969
Accrued liabilities	39,573	38,631
Advances	9,081	7,684
Total current liabilities	84,415	75,284
Workers' compensation liability (Note 8)	56,128	59,607
Total liabilities	140,543	134,891
Contingencies and commitments (Notes 12 and 13)		
Equity		
Invested capital	39,591	32,435
Cumulative results of operations	1,045,356	891,905
Total equity	1,084,947	924,340
Total liabilities and equity	<u>\$ 1,225,490</u>	<u>\$ 1,059,231</u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Revenue from sales (Note 10)	\$ 1,012,030	\$ 928,941
Cost of goods sold	<u>638,870</u>	<u>671,676</u>
Gross margin	<u>373,160</u>	<u>257,265</u>
Operating costs:		
General and administrative expenses	149,278	139,675
Research and development	<u>70,431</u>	<u>56,186</u>
	<u>219,709</u>	<u>195,861</u>
Excess of revenues over expenses	153,451	61,404
Cumulative results of operations at beginning of year	<u>891,905</u>	<u>830,501</u>
Cumulative results of operations at end of year	<u><u>\$ 1,045,356</u></u>	<u><u>\$ 891,905</u></u>
Other Comprehensive Income (Loss)		
Land Transfer for new Currency Production Facility	<u>7,156</u>	<u>-</u>
Total Other Comprehensive Income (Loss)	<u><u>\$ 7,156</u></u>	<u><u>\$ -</u></u>
Change in Invested Capital		
Invested Capital at Beginning of Period	32,435	32,435
Other Comprehensive Income (Loss)	<u>7,156</u>	<u>-</u>
Invested Capital at End of Period	<u><u>\$ 39,591</u></u>	<u><u>\$ 32,435</u></u>

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
	(In Thousands)	
Cash flows from operating activities		
Excess of revenues over expenses	\$ 153,451	\$ 61,404
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	49,239	46,637
Loss from obsolescence	604	938
Loss from disposal of property and equipment	-	(3)
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	(1,877)	(37,388)
(Increase) Decrease in inventories	(39,482)	(5,254)
(Increase) Decrease in prepaid expenses	92	148
(Increase) Decrease in other assets	(4,400)	(6,652)
Increase (Decrease) in accounts payable	6,792	4,813
Increase (Decrease) in accrued liabilities	942	(444)
Increase (Decrease) in advances	1,397	(760)
Increase (Decrease) in workers' compensation liability	(3,479)	(3,675)
Net cash provided by operating activities	<u>163,279</u>	<u>59,764</u>
Cash flows from investing activities		
Purchases of property and equipment	(122,876)	(130,486)
Net cash used in investing activities	<u>(122,876)</u>	<u>(130,486)</u>
Net (decrease) increase in cash	40,403	(70,722)
Cash at beginning of year	110,048	180,770
Cash at end of year	<u><u>\$ 150,451</u></u>	<u><u>\$ 110,048</u></u>

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2022 and 2021

1. Reporting Entity

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

The Bureau operates under basic authorities conferred by the Act of July 11, 1862, (12 Stat. 532; also, 31 U.S.C. 5114) and other laws and regulations. In accordance with the provisions of Public Law 81-656, effective August 4, 1950, the operations of the Bureau are financed by means of a revolving fund. This fund is reimbursed through billings to the Bureau's customers for products delivered. Public Law 95-81 authorized the Bureau to include in its product prices an amount to provide funding for the acquisition of capital equipment and future working capital. Invested capital represents the historical value of the initial contribution made to the revolving fund by the Federal Government and the appraised value of the land transferred to the Bureau without reimbursement for the new Washington DC Currency Facility.

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2022 and 2021

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 new Washington DC Currency Facility was transferred by the U.S. Department of Agriculture to BEP and is not depreciated (See Note 5).

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2022 and 2021

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 multi-employer pension plans, the Bureau does not report CSRS and FERS assets, accumulated plan benefits or future liabilities, if any, applicable to its employees. This data is reported for plan participants by the Office of Personnel Management (OPM).

Postretirement Benefits Other than Pensions

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

Workers' Compensation Costs

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

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2022 and 2021

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future workers' compensation estimates were generated by DOL from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future worker's compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. The liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using the U.S. Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payment and medical payments. Discount rates as of September 30, 2022 were 2.119% and 1.973% for wages and medical in year one and subsequent years, respectively. Discount rates as of September 30, 2021 were 2.231% and 2.060% for wages and medical in year one and subsequent years, respectively. The U.S. Department of the Treasury allocated the overall liability to Treasury components based on past claims paid information provided by DOL.

Annual, Sick, and Other Leave

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

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

Revenue Recognition

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. Additionally, BEP bills the Federal Reserve Board and recognizes revenue related to actual expenses incurred for WCF expansion costs and the new Washington DC Currency Facility.

Tax Status

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

Contingencies

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2022 and 2021

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, 2022 and 2021, 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, 2022 or 2021.

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	2021
Bureau revolving fund	\$ 141,408	\$ 102,364
Mutilated currency claims fund	9,043	7,684
Total	<u>\$ 150,451</u>	<u>\$ 110,048</u>

The balance in the Mutilated Currency Claims Fund, consisting of advances available to process claims for mutilated currency submitted for redemption by the public (including banks), is offset by a liability to the public, which is included in advances on the balance sheets as of September 30, 2022 and 2021, respectively (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	2021
Raw material and supplies	\$ 77,282	\$ 74,530
Work-in-process	89,371	76,756
Finished goods - currency	38,540	14,215
Finished goods - uncut currency	26,763	26,487
E-Reader inventory	4,740	5,226
Total	<u>\$ 236,696</u>	<u>\$ 197,214</u>

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Notes to the Financial Statements
September 30, 2022 and 2021

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	2021
Land	\$ 7,156	\$ -
Machinery and equipment	730,140	711,092
Building and land improvements	442,515	312,123
IT equipment and software	197,340	197,180
Office machines	1,685	1,685
Furniture and fixtures	1,925	1,339
Donated assets - artwork	125	125
Motor vehicles	175	175
Leasehold improvements	230	230
	<u>1,381,291</u>	<u>1,223,949</u>
Less accumulated depreciation	972,293	923,055
	<u>408,998</u>	<u>300,894</u>
Construction-in-progress	296,016	323,327
Property and equipment, net	<u>\$ 705,014</u>	<u>\$ 624,221</u>

Depreciation expense for the years ended September 30, 2022 and 2021 was \$49.2 million and \$46.6 million, respectively.

The majority of the increase in Property and Equipment from 2021 to 2022 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 and the \$100 Finishing Line. The increase in spending on construction projects occurred primarily on the WCF Expansion, but also included spending on the new DC Production Facility Program.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The land and building shell for the Fort Worth, Texas facility were donated by the City of Fort Worth to the U.S. Department of the Treasury in 1987, which holds the title thereto. At the time of donation, the land had an appraised value of \$1.5 million and the building shell cost was \$5.6 million. In accordance with the provisions of Public Law 81-656, Bureau financial statements include only the costs to build out the 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 new Washington DC Currency Facility, at the appraised value at the time of the transfer from the U.S. Department of Agriculture of \$7.2 million. In accordance with ASC 230, this transfer is considered to be a non-cash investing and finance activity.

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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, 2022 and 2021 was \$19.3 million and \$18.7 million, respectively.

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	2021
Intragovernmental	\$ 4,271	\$ 5,080
With the public	80,144	70,204
Total current liabilities	<u>\$ 84,415</u>	<u>\$ 75,284</u>

Accrued current liabilities consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	2021
Payroll	\$ 22,691	\$ 20,514
Annual leave	12,611	13,593
Worker's compensation	4,077	4,315
Other	194	209
Total accrued liabilities	<u>\$ 39,573</u>	<u>\$ 38,631</u>

Advances consist of the following as of September 30, 2022 and 2021:

	(In Thousands)	
	2022	2021
Mutilated currency	\$ 9,081	\$ 7,684
Total advances	<u>\$ 9,081</u>	<u>\$ 7,684</u>

8. Workers' Compensation Liability

Claims incurred and paid by DOL as of September 30, 2022 and 2021, but not yet reimbursed to DOL by the Bureau, are approximately \$9.1 million and \$9.5 million, respectively. Of these balances, approximately \$4.1 million and \$4.3 million represent a current liability, as of September 30, 2022 and 2021, respectively. The Bureau will reimburse DOL for these claims in the next two years. The Bureau's estimated non-current, actuarially derived future workers' compensation liability was approximately \$51.1 million and \$54.4 million as of September 30, 2022 and 2021, respectively. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately \$65.5 million and \$71.9 million as of September 30, 2022 and 2021, respectively.

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9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were \$31.8 million and \$28.7 million for fiscal years 2022 and 2021, respectively. The CSRS employer contribution rate for fiscal years 2022 and 2021 was 7.0%. The FERS agency contribution rate was 18.4% and 17.3% for fiscal years 2022 and 2021, respectively. The cost of providing the CSRS and FERS benefits is more than the amounts contributed by the Bureau and the employees to OPM. The total costs of providing benefits, including the costs financed by OPM, were \$36.4 million and \$32.9 million in 2022 and 2021, respectively.

OPM paid costs totaling \$14.8 million and \$13.9 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2022 and 2021, respectively. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling \$18.6 million and \$18.1 million for the FEHBP and FEGLI programs in 2022 and 2021, which are included in the Bureau's Statement of Operations.

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2022 and 2021, the Bureau's sales revenue from these organizations as well as the outstanding amounts due from them as of September 30, 2022 and 2021, are reflected in the following table:

	Revenue		Accounts Receivable	
	(In Thousands)		(In Thousands)	
	2022	2021	2022	2021
Federal Reserve Board:				
Currency production	\$ 925,502	\$ 888,565	\$ 65,688	\$ 76,460
WCF expansion	47,937	16,053	23,790	16,053
Mutilated currency	4,225	3,939	1,100	1,006
Meaningful access	799	743	244	229
New facility	32,543	17,434	6,374	1,627
Total Federal Reserve Board	1,011,006	926,734	97,196	95,375
Other Intragovernmental	1,005	2,053	-	57
Total Intragovernmental	1,012,011	928,787	97,196	95,432
Public Sales	19	154	-	-
Other	-	-	359	246
Total Non-Intragovernmental	19	154	359	246
Total	<u>\$1,012,030</u>	<u>\$ 928,941</u>	<u>\$ 97,555</u>	<u>\$ 95,678</u>

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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, 2022 and 2021. Contingencies, where the risk of loss is reasonably possible, are approximately \$3.5 million and \$3.8 million as of September 30, 2022 and 2021, respectively. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes that the ultimate resolution of these litigations will not have a material impact on the reported financial position, results of operations, and cash flows.

In 2007, a judge ruled that the current U.S. currency design violates Section 504 of the Rehabilitation Act. The Court awarded no monetary damages. However, the Bureau is required to provide meaningful access to United States currency for blind and other visually impaired persons as part of the next currency redesign. The cost of currency changes necessary to provide meaningful access will be incorporated into future currency redesign costs. No costs related to the Court ruling have been accrued in the accompanying financial statements as of September 30, 2022 and 2021. As an interim measure, the Bureau is providing currency readers, free of charge, to eligible blind and visually impaired individuals.

The Bureau has contracted to purchase printing equipment costing approximately \$328.2 million. As of September 30, 2022, the Bureau has made cumulative payments of \$143.7 million, and the remaining commitment outstanding is \$184.5 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. The Bureau entered into an Inter-Agency Agreement with the United States Army Corps of Engineers for the design review, construction, and contract administration of the Western Currency Facility expansion project and a new Washington DC Currency Facility. As of September 30, 2022, the Bureau has obligated \$403.7 million for these projects and has made cumulative payments of \$270.7 million. Progress payments related to the above contracts are included in construction-in-progress within Property and Equipment on the balance sheets as of September 30, 2022.

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

On September 30, 2022 and 2021, 1,189 and 1,136 employees, respectively, or 62% of our workforce for fiscal years 2022 and 2021, 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. No agreements are set to expire within the next year.

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13. Operating Lease

Rental expense for the years ended September 30, 2022 and 2021 was \$3.5 million and \$3.1 million, respectively.

Future minimum payments under the cancelable lease as of September 30, 2022, are:

For the years ending September 30,	(In Thousands)
2023	\$ 3,886
2024	3,901
2025	3,916
2026	3,932
2027	1,988
Total	<u>\$ 17,623</u>

14. Subsequent Events

The Bureau has evaluated subsequent events through December 15, 2022, the date that the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.