U.S. TREASURY FRANCHISE FUND

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021

Prepared By
Brown & Company CPAs and Management Consultants, PLLC
November 10, 2022

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INDEPENDENT AUDITOR'S REPORT

U.S. Treasury Franchise Fund
Washington, D.C.

In our audits of the fiscal years 2022 and 2021 financial statements of the U.S. Treasury Franchise Fund (TFF), we found:

- TFF's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;

- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and

- no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2022.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[1] and other information included with the financial statements[2]; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited TFF's financial statements. TFF's financial statements comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, TFF's financial statements present fairly, in all material respects, TFF's financial position as of September 30, 2022, and 2021, and its net costs of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TFF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

[1] The RSI consists of Management's Discussion and Analysis (MD&A) and the Statement of Budgetary Resources, which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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

Responsibility of Management for the Financial Statements

TFF management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in TFF's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility 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 auditor's 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 of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness 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, including omissions, are considered to be 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 U.S. generally accepted government auditing standards, 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 in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TFF's internal control over financial reporting. 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.
- 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 financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

TFF's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in TFF's Agency Financial Report. The other information comprises a detailed statement of management assurances and other information as applicable but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of TFF's financial statements, we considered TFF's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[3] or to express an opinion on the effectiveness of TFF's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting

[3] 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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to TFF's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

TFF management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of TFF's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered TFF's internal control relevant to the financial statement 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 TFF's internal control over financial reporting. Accordingly, we do not express an opinion on TFF's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of TFF's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of TFF's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of TFF's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to TFF. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

TFF management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to TFF.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to TFF that have a direct effect on the determination of material amounts and disclosures in TFF's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to TFF. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Greenbelt, Maryland
November 10, 2022

TREASURY FRANCHISE FUND
BALANCE SHEET
AS OF SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Assets:				
Intragovernmental:				
Fund Balance with Treasury	$	493,680,075	$	395,280,496
Accounts Receivable, Net (Note 3)	$	6,681,792	$	1,034,446
Advances and Prepayments	$	31,783,933	$	284,436
Total Intragovernmental	$	532,145,799	$	396,599,378
Other than Intragovernmental:				
Accounts Receivable, Net (Note 3)	$	38,732	$	50,937
General Property, Plant, and Equipment, Net (Note 4)	$	24,877,882	$	36,569,817
Total Other than Intragovernmental	$	24,916,614	$	36,620,754
Total Assets	**$**	**557,062,413**	**$**	**433,220,132**
Liabilities :				
Intragovernmental:				
Accounts Payable	$	17,668,974	$	16,138,853
Other Liabilities (Note 6)	$	3,938,586	$	3,485,478
Total Intragovernmental	$	21,607,560	$	19,624,331
Other than Intragovernmental:				
Accounts Payable	$	4,956,977	$	8,309,213
Federal Employee and Veteran Benefits Payable	$	524,270	$	467,162
Other Liabilities (Note 6)	$	30,008,410	$	28,425,690
Total Other than Intragovernmental	$	35,489,658	$	37,202,065
Total Liabilities	**$**	**57,097,218**	**$**	**56,826,397**
Net Position:				
Cumulative Results of Operations - Funds from Other than Dedicated Collections	$	499,965,195	$	376,393,735
Total Cumulative Results of Operations (Consolidated)	$	499,965,195	$	376,393,735
Total Net Position	**$**	**499,965,195**	**$**	**376,393,735**
Total Liabilities and Net Position	**$**	**557,062,413**	**$**	**433,220,132**

The accompanying notes are an integral part of these financial statements.

TREASURY FRANCHISE FUND
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Gross Program Costs				
Program A				
Gross Costs	$	913,661,078	$	839,080,599
Less: Earned Revenue	$	(1,021,228,802)	$	(807,623,397)
Net Program Costs	$	(107,567,723)	$	31,457,202
Net Cost of Operations	**$**	**(107,567,723)**	**$**	**31,457,202**

The accompanying notes are an integral part of these financial statements.

TREASURY FRANCHISE FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Unexpended Appropriations:				
Beginning Balance				
Beginning Balance, as Adjusted				
Appropriations Received				
Cumulative Results of Operations:				
Beginning Balance	$	376,393,735	$	396,715,231
Beginning Balance, as Adjusted	$	376,393,735	$	396,715,231
Imputed Financing (Note 8)	$	16,106,060	$	11,556,404
Other	$	(102,323)	$	(420,698)
Net Cost of Operations	$	107,567,723	$	(31,457,202)
Net Change in Cumulative Results of Operations	$	123,571,460	$	(20,321,495)
Total Cumulative Results of Operations	**$**	**499,965,195**	**$**	**376,393,735**
Net Position	**$**	**499,965,195**	**$**	**376,393,735**

The accompanying notes are an integral part of these financial statements.

TREASURY FRANCHISE FUND
STATEMENT OF CHANGES IN NET POSITION & CUSTODIAL ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

		2022		2021
Unexpended Appropriations:				
Beginning Balance				
Unexpended Appropriations Beginning balance, as adjusted				
Changes in Unexpended Appropriations:				
Total Unexpended Appropriations				
Cumulative Results of Operations:				
Beginning Balance	$	376,393,735	$	396,715,231
Cumulative Results of Operations Beginning balance, as adjusted	$	376,393,735	$	396,715,231
Changes in Cumulative Results of Operations:				
Net Cost of Operations	$	107,567,723	$	(31,457,202)
Financing Sources:				
Other than Intragovernmental non-exchange revenue:				
Other taxes and receipts	$	(102,298)	$	(420,698)
Total Other than Intragovernmental non-exchange revenue	$	(102,298)	$	(420,698)
Imputed financing from costs incurred by other entities (Note 8)	$	16,106,060	$	11,556,404
Other				
Non-entity collections transferred to the General Fund of the U.S. Government	$	(98)	$	(124)
Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government	$	0	$	111
Total Other Financing Sources	$	(98)	$	(14)
Net Change in Cumulative Results of Operations	$	123,571,387	$	(20,321,509)
Total Cumulative Results of Operations	$	499,965,122	$	376,393,722
Custodial Revenue:				
Other Cash Collections		73.23		24.29
Total Cash Collections		73.23		24.29
Accrual Adjustments (+/-)		(0.08)		(10.72)
Net Custodial Revenue		73.15		13.57
Distributions of Collections:				
Transferred to Federal Entities (by Recipient)		73.23		24.29
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)		(0.08)		(10.72)
Total Distribution of Collections		73.15		13.57
Net Custodial Activity	**$**	**-**	**$**	**-**
Net Position	**$**	**499,965,122.27**	**$**	**376,393,721.89**

The accompanying notes are an integral part of these financial statements.

TREASURY FRANCHISE FUND
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

	2022	2021
Budgetary Resources:		
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 148,396,163.26	$ 181,933,605.73
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,027,055,798.64	886,059,457.49
Total Budgetary Resources	**$ 1,175,451,961.90**	**$ 1,067,993,063.22**
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	$ 1,022,230,176.66	$ 944,422,416.43
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	153,221,785.24	123,569,701.62
Unapportioned, Unexpired Accounts	-	945.17
Unexpired Unobligated Balance, End of Year	153,221,785.24	123,570,646.79
Unobligated Balance, End of Year (Total)	153,221,785.24	123,570,646.79
Total Budgetary Resources	**$ 1,175,451,961.90**	**$ 1,067,993,063.22**
Outlays, Net and Disbursements, Net:		
Outlays, Net (Total)	$ (98,399,578.58)	$ (8,506,425.50)
Distributed Offsetting Receipts	(98.23)	(104.69)
Agency Outlays, Net	**$ (98,399,676.81)**	**$ (8,506,530.19)**

The accompanying notes are an integral part of these financial statements.

TREASURY FRANCHISE FUND
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(In Dollars)

	2022	2021
Total Custodial Revenue:		
Sources of Cash Collections:		
Miscellaneous	73.23	24.29
Total Cash Collections	73.23	24.29
Accrual Adjustments (+/-)	(0.08)	(10.72)
Total Custodial Revenue	73.15	13.57
Disposition of Collections:		
Transferred to Others (by Recipient)	73.23	24.29
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	(0.08)	(10.72)
Total Disposition of Collections	73.15	13.57
Net Custodial Activity	**$ -**	**$ -**

The accompanying notes are an integral part of these financial statements.

Consolidated Financial Statements Footnotes
For the Fiscal Years Ended September 30, 2021 and 2020

Note 1. Significant Accounting Policies

A. Reporting Entity

The Treasury Franchise Fund (the Fund) was established as a pilot program in 1996 to provide financial and administrative support services determined by the Secretary of the Treasury to be advantageous as central services. Through proven successes in improving quality of service, increasing standardization and compliance, and providing cost sharing opportunities, the Fund was made permanent in 2005 and is currently authorized by 31 U.S.C. 322, note.

The Fund includes the Shared Services Programs (SSP), Centralized Treasury Administrative Services (CTAS), and the Administrative Resource Center (ARC) business lines. The Fund provides financial management, procurement, travel, HR, IT, and other administrative services to federal customers, including a majority of the Department of the Treasury bureaus, on a fully cost recoverable, fee-for-service basis. The Fund is authorized to be reimbursed at rates that recover operational costs, which include salaries and benefits, contractual services, capital improvements, internal support and other costs. In addition, the Fund is reimbursed an amount necessary to maintain a reasonable operating reserve.

In FY 2014, ARC completed the lengthy multi-stage application process to become a designated FSSP. One of only four designated FSSPs, ARC will work with OMB and the Office of Financial Innovation and Transformation (OFIT) to implement OMB M-13-08 and successfully transition federal agencies as they require upgrades or significant investments to their existing financial management system.

In FY 2014, the Working Capital Fund (WCF) transferred to the Treasury Franchise Fund. The objective of transferring WCF activities to the Fund is to facilitate the expansion of shared services, specifically to non-Treasury customers. The transfer also permits an increased level of transparency through the Funds' governance structure. The governance structure will increase the amount of customer involvement and input in addressing any potential issues or concerns raised by the customers.

B. Basis of Accounting and Presentation

The financial statements have been prepared from the Fund's accounting records in conformity with accounting principles generally accepted in the United States of America and Office of Management and Budget (OMB) Circular A-136. Accounting principles generally accepted for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). FASAB is recognized by the American Institute of Certified Public Accountants as the official accounting standards-setting body of the United States Government.

Note 1. Significant Accounting Policies (continued)

These financial statements are provided to meet the requirements of the Government Management Reform Act of 1994. The financial statements consist of the consolidated balance sheets, and the consolidated statements of net costs and changes in net position, and the combined statements of budgetary resources. The financial statements and the related notes are presented on a comparative basis providing information for fiscal years 2021 and 2020.

The Fund's financial statements with respect to the balance sheets, the statements of net cost, and the statements of changes in net position are reported using the accrual basis of accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. The Fund's statements of budgetary resources are reported using the budgetary basis of accounting. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. It generally differs from the accrual basis of accounting in that obligations are recognized when new orders are placed, contracts awarded, and services received, that will require payments during the same or future periods.

Intragovernmental assets and liabilities result from activity with other Federal agencies. All other assets and liabilities result from activity with parties outside the Federal government, such as domestic and foreign persons, organizations, or governments. Intragovernmental earned revenues are collections or accruals of revenue from other Federal agencies, and intragovernmental costs are payments or accruals to other Federal agencies.

While these financial statements have been prepared from the books and records of the Fund, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

C. Fund Balance with Treasury

The Fund does not maintain cash in commercial bank accounts. The Treasury processes cash receipts and disbursements. Fund Balance with Treasury represents funds remaining on deposit in the Fund's revolving fund and is available, without restriction, to pay current liabilities and finance authorized purchase commitments.

D. Accounts Receivable

Intragovernmental accounts receivable represents amounts due from other Federal agencies under contractual agreements or other arrangements for services or activities performed by the Fund. These receivables are expected to be fully collected.

Public accounts receivable consists of administrative receivables from employees or suppliers. Public accounts receivable is presented net of an allowance for doubtful accounts, which is determined by considering the debtor's current ability to pay, the debtor's payment record and willingness to pay, and an analysis of aged receivable activity.

Note 1. Significant Accounting Policies (continued)

E. Property and Equipment

Property and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets. The Fund capitalizes property and equipment with an acquisition value of $50,000 or greater, and a useful life of two years or greater. The Fund also capitalizes bulk acquisitions of like-kind property and equipment items that are individually valued under the capitalization threshold but are, in the aggregate, significant to the Fund's financial position or net cost of operations.

Internal-use software includes purchased commercial off-the-shelf software (COTS), contractor developed software, and software that was internally developed by agency employees. For COTS software, the capitalized costs include the amount paid to the vendor for the software. For contractor developed software, it includes the amount paid to a contractor to design, program, install and implement the software. Capitalized costs for internally developed software include the full cost (direct and indirect) incurred during the software development phase.

Major alterations and renovations that increase an asset's useful life are capitalized, while normal maintenance and repair costs are charged to expense as incurred. Upon legal transfer, donation, or approval for disposal of property and equipment, the value of the related asset and corresponding accumulated depreciation is removed.

Equipment that is to be constructed is recorded as construction-in-progress until completed and is valued at actual costs. Construction-in-progress assets are not depreciated until completed and placed in service.

F. Accounts Payable

Accounts payable represent the amounts owed or accrued under contractual or other arrangements governing the transactions, including operating expenses incurred but not paid. Payments are made in a timely manner in accordance with the Prompt Payment Act. Interest penalties are paid when payments are late. Discounts are taken when cost effective and the invoice is paid within the discount period.

G. Annual, Sick and Other Leave

Leave is accrued as a liability when earned, and the accrual is reduced as leave is taken. The accrued leave balance reflects current pay rates and leave balances and is reported within other liabilities in the accompanying balance sheets. Sick leave and other types of non-vested leave are charged to operating costs as the leave is taken.

H. Pension Costs, Other Retirement Benefits and Other Post Employment Benefits

Most Fund employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). As of September 30, 2021 and 2020, the Fund contributed 7 percent of base pay for regular employees.

Employees hired after December 31, 1983 are automatically covered by the Federal Employee's Retirement System (FERS) and Social Security. As of September 30, 2022 and 2021, the Fund contributed 13.7 and 13.7 percent of base pay for the FERS basic benefit, respectively. A primary

Note 1. Significant Accounting Policies (continued)

H. Pension Costs, Other Retirement Benefits and Other Post Employment Benefits (continued)

feature of FERS is that it offers a savings plan to which the Fund automatically contributes 1 percent of base pay and matches employee contributions up to an additional 4 percent of base pay. The Fund also contributes the employer's Social Security matching share for FERS participants.

The Fund is not responsible for administering either CSRS or FERS. Therefore, the Fund does not report CSRS or FERS assets, accumulated plan benefits or unfunded liabilities, if any, applicable to Fund employees. Reporting such amounts is the responsibility of the Office of Personnel Management (OPM).

Similar to CSRS and FERS, OPM, rather than the Fund, reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGLI). The Fund does not contribute funds for the cost to provide health benefits and life insurance to its retirees.

The estimated cost of providing CSRS and FERS retirement and FEHBP and FEGLI benefits to retirees is more than the amounts contributed by the Fund and its employees.

Federal entities are required to report the full cost of providing retirement benefits to include the cost financed by OPM. The difference between the estimated cost and the employer and employee contributions for these programs is included as an expense and as an imputed financing source in the Fund's financial statements.

I. Revenues, Financing Sources and Imputed Financing Sources

The Fund receives the majority of funding needed to support its programs through revenue earned from providing services. Revenue from reimbursable agreements is recognized when services have been rendered. Additional funding is obtained through transfers in without reimbursement when another agency transfers a business activity into the Fund. These transfers are recognized as budgetary financing sources.

When costs that are identifiable to the Fund and directly attributable to the Fund's operations are paid for by other agencies, the Fund recognizes these amounts as imputed costs and financing sources. The Fund recognizes as an imputed financing source, the amount of pension and post-retirement benefit expense for current employees paid on behalf of the Fund by OPM, as well as amounts paid from the Department of Treasury Judgment Fund in settlement of claims, legal settlements, or court assessments.

J. Use of Estimates

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Note 1. Significant Accounting Policies (continued)

K. Tax Status

The Fund, as a Federal agency, is not subject to Federal, state, or local income taxes and, accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

L. Reclassification

Certain fiscal year 2021 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

M. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Note 2. Fund Balance with Treasury

Fund Balance

As of September 30, 2022 and 2021, fund balances consisted of revolving funds of $493,680,075 and $395,280,496 respectively.

Status of Fund Balance

	2022	2021
Status of Fund Balance With Treasury:		
Unobligated Balance		
Available	$ 153,221,785.24	$ 123,569,701.62
Unavailable	-	945.17
Obligated Balance Not Yet Disbursed	340,458,289.40	271,709,849.27
Total	**$493,680,074.64**	**$395,280,496.06**

The net obligated balance not yet disbursed represents amounts designated for payment of goods and services ordered but not received, and goods and services received but for which payment has not yet been made offset by uncollected customer payments from Federal sources.

Note 3. Accounts Receivable

Components of accounts receivable as of September 30, 2022 and 2021, were as follows:

	2022	2021
Intragovernmental		
Accounts Receivable	$ 6,681,792.18	$ 1,034,446.27
Total Intragovernmental Accounts Receivable	$ 6,681,792.18	$ 1,034,446.27
Other than Intragovernmental		
Accounts Receivable	$ 38,732.23	$ 50,936.81
Total Other than Intragovernmental Accounts Receivable	$ 38,732.23	$ 50,936.81
Total Accounts Receivable	**$ 6,720,524.41**	**$ 1,085,383.08**

Intragovernmental accounts receivable arises from the provision of services to other Federal agencies. Accounts receivable from public sources consist of administrative receivables from employees which have been billed or accrued and remain uncollected as of year-end. All outstanding balances are considered to be collectible, therefore, no allowance for doubtful accounts is deemed necessary.

Note 4. Property and Equipment, Net

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

Schedule of General Property, Plant and Equipment, Net as of September 30, 2022:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2022			
Property, Plant, and Equipment			
Buildings	$ 1,203,321.41	$ -	$ 1,203,321.41
Furniture and Equipment	69,706,415.54	58,228,089.72	11,478,325.82
Construction In Progress	4,892,072.96	-	4,892,072.96
Software	37,212,958.16	35,090,200.09	2,122,758.07
Software In Development	5,181,403.52	-	5,181,403.52
Total	**$118,196,171.59**	**$ 93,318,289.81**	**$ 24,877,881.78**

Note 4. Property and Equipment, Net (continued)

Schedule of General Property, Plant and Equipment, Net as of September 30, 2021:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2021			
Property, Plant, and Equipment			
Buildings	$ 473,814.03	$ -	$ 473,814.03
Furniture and Equipment	74,599,168.49	56,425,744.56	18,173,423.93
Construction In Progress	8,885,040.03	-	8,885,040.03
Software	39,498,710.06	35,874,142.11	3,624,567.95
Software In Development	5,412,971.52	-	5,412,971.52
Total	**$128,869,704.13**	**$ 92,299,886.67**	**$ 36,569,817.46**

Construction in progress and internal-use software in development represents actual (direct) costs and other indirect costs incurred for various information technology equipment construction and software development projects not yet placed in service. The indirect costs consist of overhead on the Fund's direct costs associated with the projects.

Note 5. Other Assets

Other assets are comprised of advances and prepayments. As of September 30, 2022 and 2021. Other Assets consisted of the following:

	2022	2021
Intragovernmental Other Assets:		
Total Intragovernmental Other Assets	$ -	$ -
Other than Intragovernmental Other Assets		
Other Assets		
Total Other than Intragovernmental Other Assets	$ -	$ -
Total Other Assets	**$ -**	**$ -**

Note 6. Other Liabilities

Other liabilities account balances as of September 30, 2022 were as follows:

		Current	Non-Current		Total
Intra-Governmental					
Accounts Payable	$	14,673,181		$	14,673,181
Debt					
Advances From Others and Deferred Revenue					
Other Accrued Liabilities		3,938,586			3,938,586
Total Intra-governmental	**$**	**18,611,767**		**$**	**18,611,767**
Other Than Intra-Governmental					
Federal Employee Benefits Payable	$	524,270		$	524,270
Unfunded Leave					
Environmental and Disposal Liabilities					
Benefits Due and Payable					
Loan Guarantee Liabilities					
Insurance and Guarantee Program Liabilities					
Advances From Others and Deferred Revenue					
Accrued Funded Payroll and Leave		30,002,243			30,002,243
Legal and Other Contingent Liabilities					
Other Liabilities Without Related Budgetary Obligations					
Other Liabilities With Related Budgetary Obligations		6,167			6,167
Liability for Deposit Funds and Suspense Accounts					
Other Accrued Liabilities					
Total Other Than Intra-governmental	**$**	**30,532,680**		**$**	**30,532,680**

Other liabilities account balances as of September 30, 2021 were as follows:

	Current	Non-Current	Total
Intragovernmental:			
Employer Contributions and Payroll Taxes Payable (without reciprocals)	772,345		772,345
Custodial Liability (to the general fund)	0		0
Employer Contributions and Payroll Taxes Payable	2,713,133		2,713,133
Total Intragovernmental Other Liabilities	**3,485,478**		**3,485,478**
With the Public:			
Accrued Funded Payroll and Leave	28,417,444		28,417,444
Other Liabilities w/Related Budgetary Obligations	8,246		8,246
Total Public Other Liabilities	**28,425,690**		**28,425,690**
Total Other Liabilities	**31,911,168**		**31,911,168**

Accrued payroll and employee benefits represent salaries and benefit expenses incurred but not paid. Accrued annual leave represents the current value of unpaid annual, restored annual and compensatory leave. The annual leave liability for the Fund is required to be funded, thus budgetary resources have been set aside to cover payments related to the liability. All liability balances were currently due.

Note 7. Commitments and Contingencies

There are no contingencies that require disclosure.

Note 8. Inter-Entity Costs

The Fund has imputed financing costs of $11,556,404 and $12,974,170 with the Office of Personnel Management for the years ended September 30, 2022 and 2021, respectively relating to post retirement benefits.

	2022	2021
Office of Personnel Management	$ 16,106,059.94	$ 11,556,403.96
Total Imputed Financing Sources	**$ 16,106,059.94**	**$ 11,556,403.96**

Note 9. Undelivered Orders at the End of the Period

As of September 30, 2022, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
2022			
Paid Undelivered Orders	$ 31,783,932.54	$ -	$ 31,783,932.54
Unpaid Undelivered Orders	69,155,188.88	257,111,923.25	326,267,112.13
Total Undelivered Orders	**$100,939,121.42**	**$257,111,923.25**	**$358,051,044.67**

As of September 30, 2021, budgetary resources obligated for undelivered orders were as follows:

	Federal	Non-Federal	Total
2021			
Paid Undelivered Orders	$ 284,435.57	$ -	$ 284,435.57
Unpaid Undelivered Orders	36,142,377.75	210,979,191.57	247,121,569.32
Total Undelivered Orders	**$ 36,426,813.32**	**$210,979,191.57**	**$247,406,004.89**

Note 10. Explanation of Differences Between the SBR and The Budget of the U.S. Government)

The President’s Budget that will include fiscal year 2022 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2023 and can be found at the OMB Web site: *http://www.whitehouse.gov/omb/*. The 2022 Budget of the United States Government, with the "Actual" column completed for 2021 has been reconciled to the Statement of Budgetary Resources and there were no material differences.

Note 11. Reconciliation of Net Cost to Net Outlay

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

Reconciliation of Net Cost to Net Outlays as of September 30, 2022:

	Intragovernmental	With the Public	Total
Net Operating Cost	**$(704,699,374.73)**	**$597,131,651.44**	**$(107,567,723.29)**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation expense		(10,083,488.72)	(10,083,488.72)
Property, plant, and equipment disposals and revaluations		(28,089.82)	(28,089.82)
Inventory disposals and revaluations		(28,089.82)	(28,089.82)
Gains/Losses on all other investments		(28,089.82)	(28,089.82)
Increase/(Decrease) in Assets:			
Accounts receivable, net	5,647,345.91	(12,204.50)	5,635,141.41
Other assets	31,499,496.97	-	31,499,496.97
(Increase)/Decrease in Liabilities:			
Accounts payable	(1,530,121.00)	3,352,235.61	1,822,114.61
Federal employee and veteran benefits payable	-	(57,108.03)	(57,108.03)
Other liabilities	(453,107.79)	(1,582,720.11)	(2,035,827.90)
Financing Sources:			
Imputed Cost	(16,106,059.94)	-	(16,106,059.94)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ 19,057,554.15**	**$ (8,467,555.21)**	**$ 10,589,998.94**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets		(1,478,058.87)	(1,478,058.87)
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost		**$ (1,478,058.87)**	**$ (1,478,058.87)**
Misc Items			
Distributed offsetting receipts (SBR 4200)	(98.23)	-	(98.23)
Custodial/Non-exchange revenue	73.15	(73.15)	-
Non-entity activity	25.00	-	25.00
Total Other Reconciling Items	**$ (0.08)**	**$ (73.15)**	**$ (73.23)**
Total Net Outlays (Calculated Total)	**$(685,641,820.66)**	**$587,185,964.21**	**$ (98,455,856.45)**
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, net			**$ 98,399,676.81**

Reconciliation of Net Cost to Net Outlays as of September 30, 2021:

	Intragovernmenta	With the Public	Total
Net Operating Cost	**(568,573,126)**	**600,030,328**	**31,457,202**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation expense		(12,306,570)	(12,306,570)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(244,660)	5,076	(239,584)
Other assets	(4,287,741)		(4,287,741)
(Increase)/Decrease in Liabilities:			
Accounts payable	(13,569,852)	(1,031,101)	(14,600,952)
Federal employee and veteran benefits payable		(59,341)	(59,341)
Other liabilities	(543,513)	(2,191,124)	(2,734,637)
Financing Sources:			
Imputed Cost	(11,556,404)		(11,556,404)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**(30,202,170)**	**(15,583,059)**	**(45,785,229)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets		5,821,501	5,821,501
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost		**5,821,501**	**5,821,501**
Misc Items			
Distributed offsetting receipts (SBR 4200)			(105)
Custodial/Non-exchange revenue	14	(14)	-
Non-entity activity	100		100
Total Other Reconciling Items	**114**	**(14)**	**(5)**
Total Net Outlays (Calculated Total)	**(598,775,182)**	**590,268,757**	**(8,506,530)**
Budgetary Agency Outlays, net (SBR 4210)			
Budgetary Agency Outlays, net			**(8,506,530)**