



Audit Report



OIG-26-019

FINANCIAL MANAGEMENT

Audit of the Bureau of Engraving and Printing's Financial Statements for Fiscal Year 2025

February 26, 2026

Office of Inspector General
Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

February 26, 2026

**MEMORANDUM FOR PATRICIA A. SOLIMENE, DIRECTOR
BUREAU OF ENGRAVING AND PRINTING**

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Bureau of Engraving and Printing's Financial
Statements for Fiscal Year 2025

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Bureau of Engraving and Printing (BEP) as of September 30, 2025, and for the year then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of BEP, KPMG found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, and contracts tested.

KPMG also issued a management letter dated February 23, 2026, discussing deficiencies in internal control over financial reporting that were identified during the audit but were not required to be included in the auditors' report. These matters involved general information technology controls. This letter will be transmitted separately.

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In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on BEP's financial statements or conclusions on the effectiveness of internal control or compliance with laws and regulations.

KPMG is responsible for the attached auditors' report dated February 23, 2026, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 486-1415, or a member of your staff may contact Felicia Silver, Acting Manager, Financial Statement Audits, at (771) 210-6004.

Attachment

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Bureau of Engraving & Printing

*“An Era of
Transformation”*



Annual Financial Report

FY2025

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Mission

To develop and produce United States banknotes, trusted worldwide.



Core Values

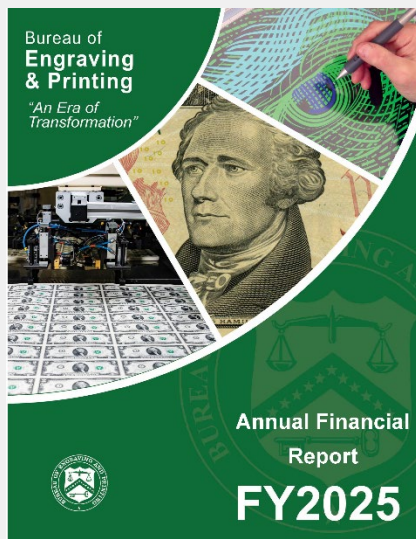
Integrity • Fairness • Performance • Respect



Vision

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

An Era of Transformation

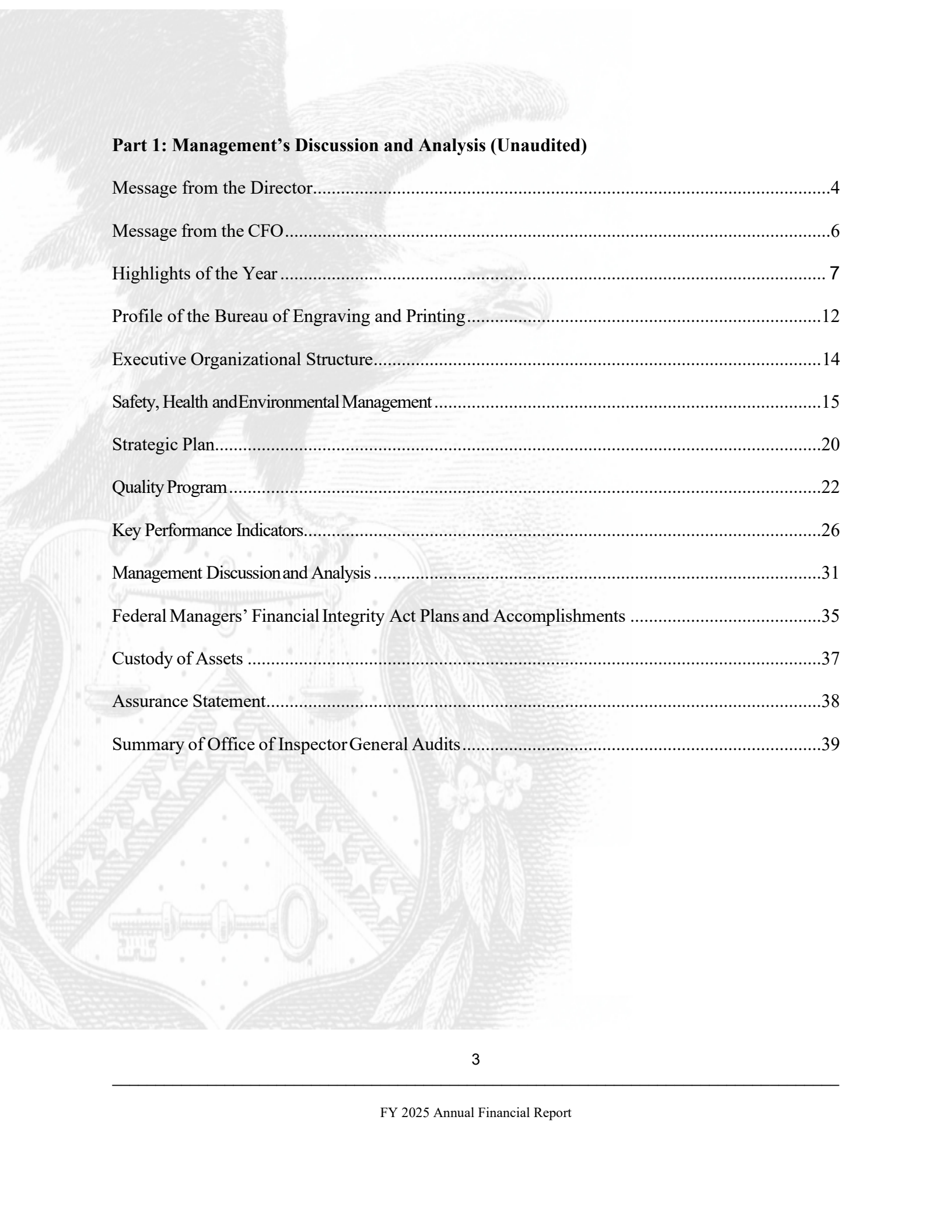


The time-honored legacy of the Bureau of Engraving and Printing (BEP) continues to evolve from its humble beginnings during the Civil War in 1862 to the premiere security printer and sole producer of U.S. currency notes it is today and into the future.

“An Era of Transformation” reflects the Bureau of Engraving and Printing’s long 163-year tradition of dedicated craftsmanship, technical expertise, and ongoing innovation in every engraving and Federal Reserve note.

The BEP’s commitment to upholding rigorous, fully integrated quality-assurance practices; employing dependable, high-grade materials; advancing state-of-the-art security features and counterfeit-deterrence technologies; strengthening

collaboration with stakeholders; investing in modern production capabilities; and supporting a highly specialized, dedicated workforce keeps the BEP well positioned to pursue future opportunities and growth with vigor and integrity ensuring the Bureau continues to set a global standard for banknote and document security.



Part 1: Management’s Discussion and Analysis (Unaudited)

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Message from the Director

As the Director of the Bureau of Engraving and Printing (BEP), I am pleased to present the BEP's Annual Financial Report for Fiscal Year (FY) 2025. This report highlights the Bureau's outstanding performance as the premier manufacturer of banknotes, trusted worldwide. This year is an era of continued transformation for BEP and its workforce as we navigate through a complex atmosphere of change within the federal government.



Patricia A. Solimene

The BEP completed the 2025 currency order of 4.8 billion notes, ahead of schedule and under budget. Demand for paper currency remains strong despite growth in digital currency and other payment options. The Federal Reserve Board of Governors (Board) reported “currency in circulation, a direct measure of demand for Federal Reserve notes, increased by 0.8 billion notes, or \$43.1 billion dollars, between June 2024 and June 2025.”

The calendar year (CY) 2026 print order ranges from 3.8 billion to 5.1 billion notes, valued from \$108.9 billion to \$139.6 billion. This accommodates shifts in global currency demand, production schedules, the installation and testing of new equipment and development and testing of the next generation of banknotes, Catalyst.

Public unveiling of the Catalyst (CFD) \$10 Federal Reserve banknote is scheduled for 2026. In FY 2025, the BEP completed tests of Tolerances for Inspection (TIQ) and CFD \$10 verification testing. Feasibility testing for future Catalyst notes are in progress. The Catalyst banknote features new, denomination-specific security technologies and a raised tactile feature assisting the blind and visually impaired community with denominating U.S. currency notes.

BEP remains focused on quality assurance and continued maturation of BEP's Quality Management System ensuring operational excellence through process improvement and ongoing optimization. This includes maintaining International Organization for Standardization – (ISO) 9001 and 14001 certifications, streamlining processes and undergoing strategic internal reorganization supporting efficient operations. The BEP converted \$20 and \$2 denominations from 32 subject to 50-subject production – a change to increase efficiency and reduce manufacturing costs.

After evaluating bid proposals, the Federal Reserve, Treasury and the BEP paused the BEP's Washington, D.C.-area manufacturing replacement facility project to evaluate options, including re-assessing the scope of the project. Building a modern replacement facility remains imperative to accommodate development, producing fiscal notes and continuance of manufacturing efficiencies.

The BEP continues its strategic, multi-year modernization effort of production equipment and information technology systems: both are essential to meet the future demands of currency production. Projects include safety and infrastructure renovations and repairs to the current, 100+-year-old, D.C. facility (DCF).

Installation and validation testing of new foil, screen and non-sequential, Large Examining Printing Equipment (ns-LEPE) presses and a new, sophisticated Inspection Finishing System (IFS) are in progress at the Western Currency Facility (WCF) in Fort Worth, Texas. The IFS reduces spoilage by flagging unfit notes on press for removal prior to packaging versus undergoing a separate reclamation process.

During FY 2025, the BEP experienced an impactful reduction in its skilled labor force due to attrition of an aging workforce and the Treasury Deferred Resignation Program (DRP). We continue to prioritize strategic staffing and hiring within new agency personnel limitations, working to ensure we have the right people, with the right skills to guarantee BEP's overall success in fulfillment of its mission. BEP is currently transitioning to a reorganized structure allowing for continued effectiveness of a 20% smaller workforce.

I look forward to 2026 and the unveiling of the first note of the Catalyst series this spring. The BEP values the collaboration with its key stakeholders and appreciates the support it has received over the years in fulfillment of its vital and unique mission of manufacturing the most trusted and secure fiscal notes worldwide.

Message from the CFO



Steven A. Fisher

It is my pleasure joining Director Solimene in presenting the FY 2025 Annual Financial Report for the Bureau of Engraving and Printing (BEP), a key component of the U.S. Department of the Treasury. The BEP (also known as the “Money Factory”) prepares financial statements in accordance with commercial accounting standards (i.e., Generally Accepted Accounting Principles) and has done so for decades. The Bureau is entirely funded by fees charged for services performed and products provided (e.g., banknotes) primarily for the Federal Reserve. The BEP is self-sustaining and has not received an appropriation from Congress since the establishment of its revolving fund in 1950, over 75 years ago. While the Bureau derives the vast majority of its revenues by producing U.S. Currency, it also produces an array of other products for federal agencies, such as Presidential Appointment certificates, invitations and admission cards for the White House, Commissions and Award Certificates for the U.S. Military, and various other products requiring engraving and intaglio printing expertise.

For FY 2025, the BEP earned an unmodified audit opinion on its financial statements, continuing its long tradition of accountability for over 40 years. As entrusted stewards of the resources for the United States Currency Program (USCP), the BEP has demonstrated an unwavering commitment to sound financial management and transparency. This consecutive string of accomplishments is a result of discipline, dedication and commitment by BEP employees in achieving excellence in accountability and financial reporting.

As the Director noted, FY 2025 was a year of change for the Bureau. In the financial realm the BEP strongly supported the President’s Management Agenda and the Administration’s priorities in many aspects. Some examples include implementing provisions of various Executive Orders (E.O.) pertaining to financial management such E.O. 14247, “Protecting America’s Bank Account Against Fraud, Waste, and Abuse” which led to modernizing payment processes to ensure secure electronic transactions for greater transparency and fraud prevention. This E.O. also included requirements for Department and agencies to consolidate multiple systems to a single core financial system. Accordingly, the Bureau partnered with Treasury Departmental Offices (i.e., Treasury) in defining essential functional and technical requirements for a new Department-wide core financial system and supported Treasury’s efforts to establish a single procurement system. Additionally, the BEP supported E.O. 14240 “Eliminating Waste and Saving Taxpayer Dollars by Consolidating Procurement” and the establishment of the new Treasury Common Services Center (TCSC) by participating in planning sessions and that will result in the transfer of about 50 staff to the new central organization. At the conclusion of FY 2025, the BEP is positioned to achieve a significant reduction in its overall staffing levels by over 350 FTE or 20 percent from levels authorized at the start of FY 2025. Since much of the reduction was attributable to the Deferred Resignation Programs which generally required staff to retire or resign by September 30, 2025, the BEP expects to realize those savings in FY 2026.

In FY 2025, while working closely with our stakeholders such as the Federal Reserve, the BEP embarked on a plan to implement significant renovations to its current facility located in Washington DC. The current facility is over 100 years old and requires critical facilities refurbishment to support new currency production equipment until such time when a replacement facility is constructed. The BEP also made significant investment in “retooling” its currency production machinery and equipment, making over \$371.3 million in expenditures for production equipment.

Highlights of the Fiscal Year

During FY 2025, the Bureau of Engraving and Printing (BEP) advanced its mission to produce secure U.S. currency while modernizing production processes, strengthening workforce initiatives, and reinforcing its commitment to safety, environmental stewardship, and public service. The Bureau successfully fulfilled the Federal Reserve Board's order for new currency while executing projects designed to innovate production capabilities and enhance accountability.

BEP Hosts Treasurer of the United States Brandon Beach

The BEP's Western Currency Facility hosted Treasurer of the United States **Brandon Beach** in August for a tour of currency production operations and the recent facility expansion.



Left to Right: Brian Lawler, Senior Advisor to the Treasurer Anthony Cruz, Treasurer Brandon Beach, Director Patricia Solimene, Treasury Official James Johnson, Deputy Director (CAO) Craig Deatrick, AD (WCF Manufacturing) Ron Voelker.

A Plate Printer describes currency plate production to Treasurer Beach.

50-Subject \$2 and \$20 Production

FY 2025 marked a significant milestone in BEP's production operations with the introduction of 50-subject printing for the \$2 and \$20 denominations. This advancement is expected to generate cost savings and increase efficiency and output capacity, aligning BEP's production with evolving Federal Reserve requirements while maintaining the highest standards of quality and security.



50-Subject \$2 sheet overprinting on the non-sequential Large Examining Equipment (ns-LEPE)

Retooling with New Equipment and Processes

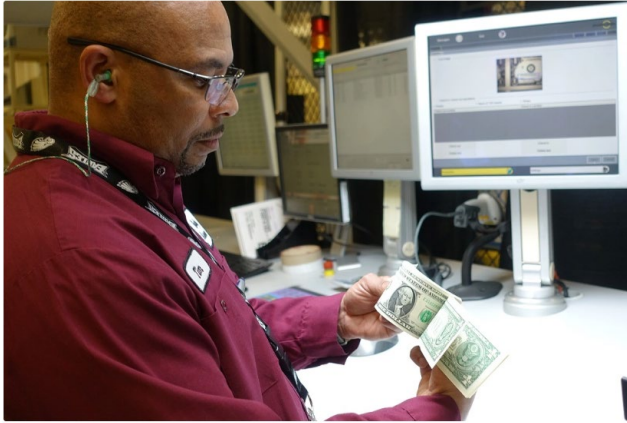
The Bureau continued its retooling initiatives by installing new equipment and refining production processes to improve efficiency and reduce environmental impact. These upgrades included a new Inspection Finishing System, Non-sequential Large Examining Presses, and enhancements to intaglio presses and packaging operations — ensuring BEP remains at the forefront of currency manufacturing technology.



Pictured is new Inspection Finishing System (IFS) Equipment installed at the Western Currency Facility. The IFS uses sophisticated sensor and camera systems to reclaim unfit currency notes from currency sheets produced in the previous printing operation.

International Organization for Standardization (ISO) Certifications Achieved!

BEP achieved ISO recertifications in FY 2025, underscoring its dedication to quality management, environmental responsibility, and occupational health and safety. These certifications validate BEP's adherence to international standards and reinforce its reputation as a leader in secure document production.



Veterans Day Honored Guests

In recognition of Veterans Day and the invaluable service and sacrifice Veterans provide to this nation, the BEP welcomed keynote speaker retired Corporal **Don Graves**, U.S. Marine Corps World War II veteran and Iwo Jima survivor (February 19, 1945 – March 26, 1945). Corporal Graves fought on the island with the U.S. Marine Corps 5th Marine Division, 2nd Battalion, 28th Marine Regiment, D Company.

Another honored speaker, retired U.S. Army Chief Warrant Officer 4 **Doug Petersen**, served as a casualty evacuation helicopter pilot during the Vietnam War. He accumulated nearly 1,000 combat hours in Vietnam, where he operated under the callsign “Dustoff 34.”



Left to Right: Doug Peterson, Director Patricia Solimene, Don Graves, and Air Force retiree Steven Gross.



An employee explains engraving tools used for currency plates and miscellaneous product engravings such as Purple Heart Certificates.

Heroism

In FY 2025, members of the BEP Police Force demonstrated extraordinary heroism in the line of duty. Their actions safeguarded employees, facilities, and visitors, exemplifying the Bureau's commitment to safety and security. Recognition ceremonies honored these officers for their courage and professionalism, highlighted the critical role the BEP Police fulfill in protecting the nation's currency operations and as ambassadors of goodwill with the public who visit BEP facilities daily.



Left to Right: Sgt. Kevin Butler and Cpls. John Bailey, Marvin Adams and Leonard Blair were recognized for rendering aid to a contractor in medical distress.



BE Proud Police Officers of the Year recognized for superior professionalism at the highest level. Left to Right: DCF: Recipient Cpl. Andre Taylor and Presenter Inspector John Moore; WCF: Presenter Security Officer Thomas Klug and Recipient Cpl. Ryan Mangan.

Human Capital Recruitment Efforts

One of the BEP's goals remains finding top talent to fill highly specialized craft and non-craft positions at the agency. Science, Technology, Engineering, Art and Math (STEAM) skills are in demand now more than ever and play an intricate role in banknote development and production. By attending job fairs, career days at universities and other specialty education schools and recruitment events, BEP representatives expose a broad range of private sector professionals, students, veterans and law enforcement to the many opportunities available in public service at the BEP.



Supervisory Human Resources Specialist Veronica Lile, left, and Human Resources Specialist Nicole Johnson attended the Women in Federal Law Enforcement (WIFLE) Leadership Training and career fair, August 5-7, in Alexandria, Virginia.



Human Resources Specialist Tonia Nichols, right, and Human Resources Assistant Sarah Golob talk to attendees at the 2024 North Texas Job Fair in Arlington, Texas.

Environmental, Health, and Safety (EHS)

BEP advanced its Environmental, Health, and Safety initiatives in FY 2025, implementing new programs to reduce emissions, recycle solvents, and improve workplace safety. The Bureau maintained full compliance with regulatory standards and expanded employee training programs, reinforcing its commitment to sustainability and the well-being of its workforce.



The annual BEP BSAFE and Greenback Awards recognize employees and/or a team for solutions that may be substantial in sustaining improvement in environmental or safety compliance and improvement. Left to Right: DCF Greenback Recipients: Ricardo Lopez-Merced and Kara Delozier, Presenter Office of Security Chief Alvin Shell. WCF BSAFE Recipient Eric Whiteaker.

Summary

FY 2025 was a year of **innovation, modernization, and service** for the Bureau of Engraving and Printing. From expanding 50-subject production to advancing construction of the DCRF, achieving ISO certifications, and honoring the heroism of BEP Police, the Bureau demonstrated its dedication to excellence, stewardship, and public trust.

Bureau of Engraving and Printing Profile

The mission of the BEP is to develop and produce U.S. currency notes, trusted worldwide. The Bureau began printing currency in 1862 and 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. In 1977, Public Law 95-81 authorized the Bureau to include a surcharge in an amount sufficient to fund future capital investments. This eliminated the need for direct annual appropriations from Congress.

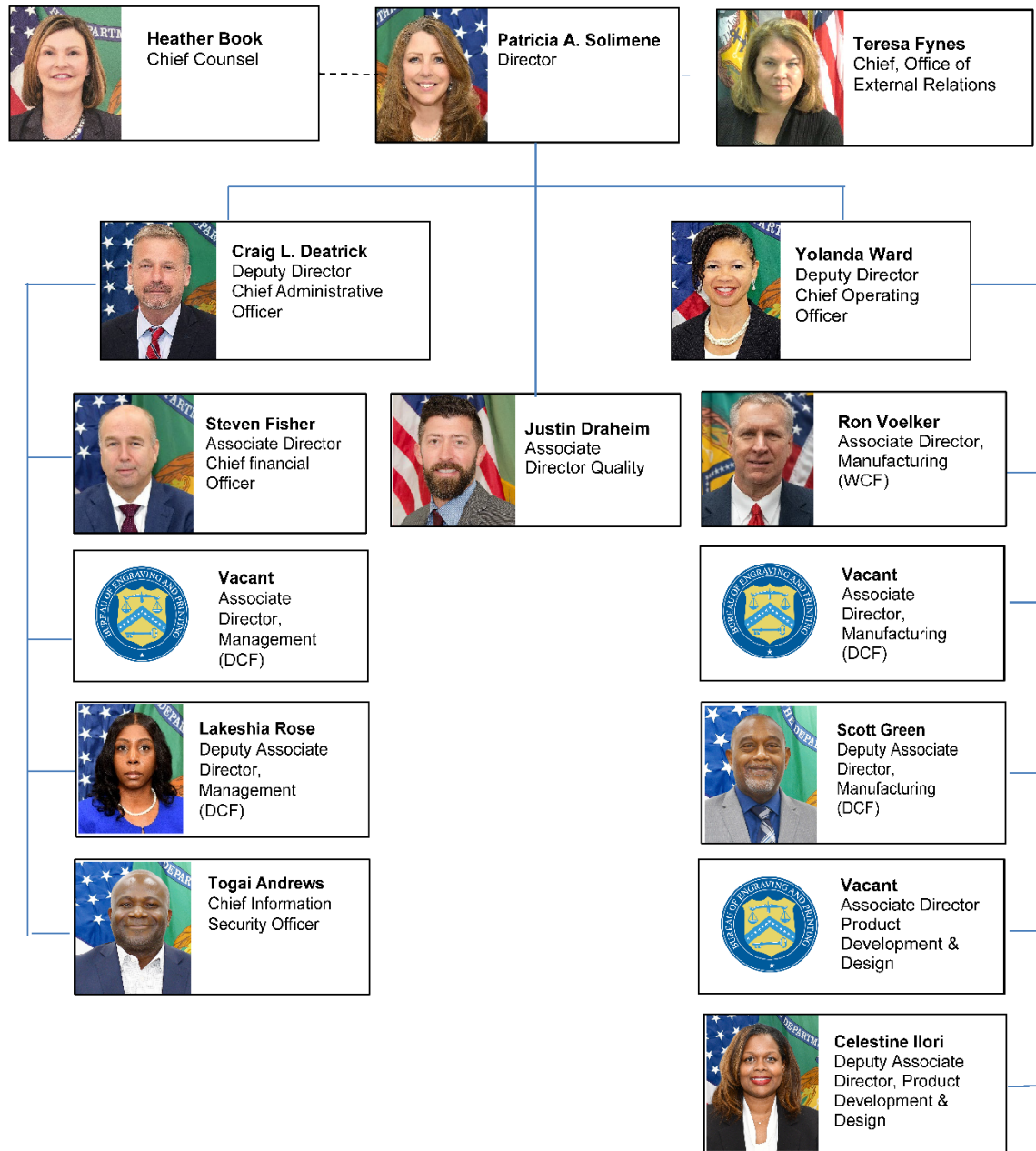
The Bureau is the sole manufacturer of U.S. currency notes and produces other security documents issued by the federal government. In support of producing U.S. currency, the BEP creates manufacturing engraving plates, dyes and specialized inks; purchases materials, supplies and equipment; and stores and delivers products in accordance with customer requirements. 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. 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 mutilated currency redemption.

The Bureau occupies three Treasury-owned facilities and one leased facility. The DCF Main and Annex buildings, house research and development activities and produce Federal Reserve notes and other security products. The DCF Main building became operational in 1914 and the DCF Annex building in 1938. In 1987, the City of Fort Worth, TX donated the land and building shell to the U.S. Treasury Department which accepted the property under its gift acceptance statutory authority (the BEP does not have gift acceptance authority). All three buildings are owned by the U.S. Treasury Department (See Note 2 of the Financial Statements). The BEP built out the shell and has included those capital improvements in its financial statements (See Note 5 of the Financial Statements). The WCF began operations in 1991 and was established to provide increased production capacity, reduce transportation costs, streamline the manufacturing process and enhance the nation's emergency preparedness. The BEP also leases a warehouse located in Landover, Maryland.

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), three active and three vacant Associate Director positions; three Deputy Associate Directors; the Chief Counsel, Chief Information Security Officer and the Office of External Relations Chief. Various planning committees and subcommittees – composed of a cross-section of Bureau senior and mid-level managers representing diverse organizational units – report to the SET. These groups serve to promote effective communication, increased collaboration, and participative, proactive management through organizational lines.

2025 Executive Organizational Structure

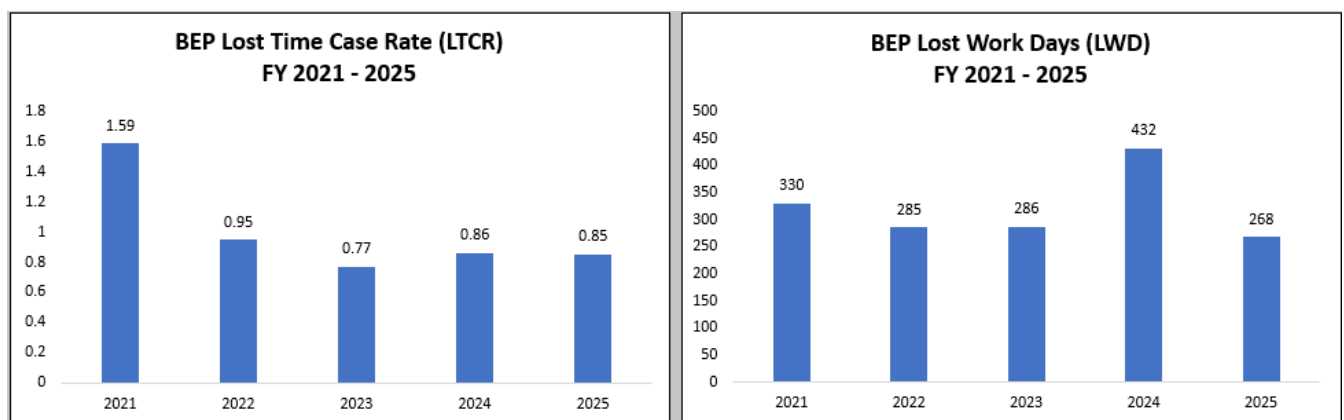


Safety, Health and Environmental Management

The Office of Environment, Health and Safety (OEHS) located at the DCF and the Safety and Occupational Health Branch (SOHB) within the WCF manage programs reducing the Bureau's environmental impact and protect workers from injuries and illnesses. The environmental management system conforms to International Organization for Standardization's ISO 14001:2015, an internationally recognized standard focused on managing and improving environmental programs. The BEP is continually improving the management system and achieved positive results on ISO 14001, third-party audits and made long-term improvements in key performance metrics pertaining to employee safety and its Environmental Management System. The safety, health and environmental management goals are to (1) maintain a downward trend in occupational injury and illness rates and (2) continue minimizing the environmental impact of operations while producing high-quality products. The BEP engages personnel at all levels and many OEHS improvements result from employee suggestions, technical work groups and employee-led safety and environmental projects.

Employee Health and Safety

The key performance indicators for safety are the recordable lost time case rate (LTCR) and lost workdays (LWD), as defined by the Occupational Safety and Health Administration (OSHA). Calculation of the OSHA LTCR is based on the number of lost time cases multiplied by 200,000 (hours worked annually by 100 workers) divided by the total number of hours worked. In FY 2025, the LTCR decreased from FY 2024.



The LTCR in FY 2025 was 0.85 cases per 100 employees, a 1% decrease from the FY 2024 LTCR of 0.86. The LWD in FY 2025 decreased significantly by 38% compared to FY 2024. The significant decrease in the LWD is largely attributable to the OEHS and SOHB's continued efforts

to focus on returning employees to work. The following key aspects were critical in accomplishing a high rate of return-to-work outcomes:

- Utilizing electronic reporting via the Employees' Compensation Operations & Management Portal (ECOMP) to standardize claims processing and expedite submissions to Department of Labor (DOL) for faster entitlement decisions and benefit payments.
- BEP maintained a score of 100% on the Protecting Employees, Enabling Reemployment (PEER) initiative scorecard for goals 3 and 4. Each agency is scored based on their timeliness for submitting workers' compensation claim forms (CA-1, CA-2) and wage-loss claims forms (CA-7) to DOL. By maintaining a perfect score of compliance, it demonstrated BEP's commitment to a safety and health conscience workforce.
- Maintaining partnerships with supervisors to support the return-to-work program with light and limited duty assignments.
- A continued focus on promoting accountability through reporting of root cause analysis and corrective action plans on injuries to executive management.
- Sharing injury and illness data and case status updates during monthly safety committee and leadership meetings.

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

During FY 2025, the BEP performed health and safety risk assessments for several components within BEP to proactively identify hazards and develop targeted controls. The OEHS and SOHB increased the number of exposure monitoring surveys from 44 in FY 2024 to 93 in FY 2025 and made improvements to the overall program that included developing and implementing respirable crystalline silica control policies for the DCF and WCF

The BEP continued its efforts ensuring that all operations continued safely, in accordance with the Occupational Safety and Health Administration (OSHA) regulations and the updated Centers for Disease Control and Prevention (CDC) guidance for respiratory viruses, including COVID-19. The BEP aligned COVID-19 policies and procedures with the updated guidance from the CDC's unified Respiratory Virus Guidance. This included encouraging employees to get vaccinated against the flu, RSV and COVID-19. The BEP continued to grant up to four hours of administrative leave to any employee that chose to be vaccinated against COVID-19 during their tour of duty, per Office of Personnel Management memorandum CPM 2024-08, Leave Policies Related to COVID-19 Vaccinations and Boosters for Federal Employees. The BEP continued its focus on incident reviews by conducting round table reviews with supervisors, managers, union representation and

subject matter experts resulting in corrective actions that better supported the workers impacted by each decision. The BEP also provided worker's compensation and light and limited duty program information sessions to employees.

Protecting the environment

During FY 2025, BEP decreased its buildings' scope 1 and scope 2 greenhouse gas (GHG) emissions by 16.5 percent year-over-year from FY 2024. Since our FY 2008 baseline year, the BEP has reduced its GHG emissions by 62.4 percent, based on preliminary data. Final results may vary slightly. The FY 2025 reduction is primarily attributable to WCF increasing purchases of renewable energy certificates (RECs) through their GSA Retail Choice electric supply contract. Per this contract, WCF's electric supplier purchases RECs equal to 75% of the facility's total annual electrical usage. The long-term reduction in GHG emissions are attributable to the completion of energy saving projects and renewable energy purchases.

The Bureau remains committed to reducing the environmental impact of operations. The following are specific ongoing FY 2026 projects with significant environmental benefits:

Single Note Inspection (SNI) and Inspection Finishing System (IFS) Processes – The BEP continued to develop and use SNI and IFS, processes that reclaim individual notes meeting quality standards from sheets of currency – each sheet contains 32 or 50 notes – containing at least one defective note. Previously, the BEP shredded all sheets that contained at least one defective note. The BEP is currently running SNI or IFS on \$1, \$5, \$20, \$50, and \$100 currency notes. During FY 2025, the BEP reclaimed 329.5 million notes at the WCF and 90.6 million notes at the DCF, which diverted 462.6 tons of currency wastepaper materials from solid waste disposal. This resulted in material and environmental cost savings of \$18.3 million.

Also, without reclaiming these notes, the BEP would have used an additional 120.8 tons of ink and 4.3 tons of solvent to complete the Annual Print Order (APO), which would have generated an additional 1.1 million gallons of wastewater, 3.4 tons of air pollutants and 121.5 tons of industrial solid and hazardous waste.

Wiping Solution Recycling Plant (WSRP) – Wastewater generated from onsite pre-treatment of wiping solution is the Bureau's largest industrial waste stream. The DCF chemical treatment recycling plant can either clean used water-based solution for reuse on currency presses or produce one hundred percent fresh (unrecycled) wiping solution. During FY 2025 DCF ran its recycling process for six months and achieved a fifty percent reduction in wastewater generation. The DCF and WCF have successfully tested high-performance ultrafiltration-based wiping solution recycling systems that achieve recycling rates over ninety percent. Additional site-specific evaluation and design activities may be required. BEP plans to finalize the procurement package for ultrafiltration-based recycling in FY 2026 for project execution in FY 2027.

Chiller Plant Upgrades – WCF Offset Plant Chillers #21 and 22 were replaced during FY 2025 with new magnetic bearing chillers that are expected to yield a **9% energy savings over the**

traditional oil-bearing chillers. This increased efficiency is expected to result in an **annual energy savings as high as 0.55 MWH (1.9Mbtu).** DCF is evaluating a project to replace its existing chiller plant to increase capacity to support the Catalyst series of notes, which would allow implementation of energy saving strategies such as chiller energy recovery, water-side economization, and an increase in total chiller efficiency.

District Currency Replacement Facility – The OEHS is significantly involved in the DCRF project. At the new facility, the BEP will consolidate and modernize DCF production and warehouse facilities to incorporate sustainable features and provide a safer worksite for BEP employees. The new facility is designed to meet Leadership in Energy and Environmental Design (LEED) Gold classification and will include interior and exterior water efficiency and recycling features, low air pollutant emissions and a 5- megawatt rooftop solar array. The new facility will improve the energy efficiency of DCF operations and reduce the Bureau’s carbon footprint.

High-Efficiency Lighting Systems – The BEP upgraded interior lighting by installing LED lamps throughout large areas at both facilities. LED lamps reduce energy consumption and provide a better lighting experience and work environment while also reducing fluorescent bulb breakage and hazardous waste disposal costs. At the DCF, the BEP completed a comprehensive four-year re-lamping project in FY 2023, saving 3,810 megawatt hours (MWh) of electricity and reducing GHG emissions by 1,278 metric tons of carbon dioxide every year thereafter. The project provides the DCF with an estimated annual energy savings of \$0.2 million, and a rebate of \$0.1 million from the DC Sustainable Energy Utility (DCSEU) as a result. DCF anticipates future lighting upgrades associated with site preparation for new equipment installation. At the WCF, the re-lamping project is ongoing and scheduled for completion in FY 2026. This project will reduce energy consumption by over 3,800 MWh and reduce GHG emissions by about 900 metric tons.

Physical Vapor Deposition (PVD) Plating – Between FY22 and FY 2025, BEP installed two PVD units at DCF and two at WCF, all specially designed for intaglio plate production. In the short-term, the units will be used to test and validate the PVD process. Long-term, the PVD technology is intended to replace the existing hexavalent chromium coating process at both BEP facilities. The PVD process occurs under an extreme vacuum in a noble gas environment, effectively eliminating the formation of hexavalent chromium. Once fully operational, the system will eliminate occupational exposures risks associated with traditional plating methods. Unlike hexavalent chromium coating, which produces large volumes of wastewater and hazardous waste, PVD coating eliminates these wastes, with negligible air emissions. This transition marks a significant advancement in BEP’s commitment to safer, more sustainable manufacturing practices.

Intaglio Plate Laser Engraving - CTIP III is the next generation of Computer-to-Intaglio Plate (CTIP) technology which utilizes femtosecond laser engraving to enhance efficiency and precision in intaglio plate production. By directly engraving onto metal plates, the BEP reduces the number of processing steps and minimizes chemical exposure, supporting a safer and more sustainable production environment. The CTIP III replaces the ageing CTIP I system, which is approaching operational end of life, to ensure the continuity of currency printing operations, support long term

sustainability, and advance the BEP's modernization goal. Additionally, this system has the potential to replace BEP's current nickel electroforming process by laser engraving intaglio plates on a metal substrate which go directly to press. CTIP III direct-to-plate implementation at the BEP is in the research and development phase.

Air Handling Unit (AHU) Upgrades - DCF is implementing variable speed drives on air handlers to reduce fan energy consumption and reduce the volume of air that needs to be reheated. This project also replaces 3-way chilled water valves with 2-way valves, which allows better control of variable speed pumping at the chiller plant and increases return water temperature, improving chiller efficiency. The new electronic controls will allow tighter control of temperature and humidity in the production sections and will be integrated into SCADA for monitoring, tracking and troubleshooting. Additionally, DCF will replace older air handling equipment with modern, energy-code compliant HVAC equipment as it renovates sections to support Catalyst note production. WCF is completing Phase 4 of its AHU refurbishment contract this year and is replacing older AHUs with newer, more efficient systems. The new equipment is expected to be as much as 15% more efficient, thereby realizing an estimated energy savings of **143 Kbtu annually**.

The BEP is deeply committed to reducing its environmental impact and improving the safety of its employees and plans to continue these multiyear projects in the coming year.

Strategic Plan

The Bureau supports the U.S. Department of the Treasury strategic plan by providing trusted and secure U.S. banknotes for public use. In alignment with its mission, BEP is guided by its four-year strategic plan which serves as a roadmap to achieving high quality, cost-effective, and flexible business operations into the future.

As a global leader in security printing, the BEP remains steadfast in its commitment to producing high quality banknotes, managing costs, and providing safe working conditions. The ingenuity, dedication, and hard work of BEP employees continues to drive progress toward its strategic goals.

To advance its mission and address key priorities affecting the organization and its workforce, the BEP has three strategic goals:

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

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

- (1) **Exceed customer expectations:** Consistently deliver high-quality products and services that exceed customer expectations and requirements.
- (2) **Deliver quality products and services:** Enhance the quality assurance (QA) system to assure efficient and effective note production, products and services, optimized production support, and administrative processes and practices.
- (3) **Deliver new security features and capabilities:** Develop, implement, and deliver new and effective security features, and provide meaningful access for blind and visually impaired individuals.
- (4) **Develop next family of banknotes:** Develop and test banknotes containing new overt and covert security features to deter counterfeiting.
- (5) **Modernize production facilities and equipment:** Create modern manufacturing systems to support 21st century manufacturing capabilities that will allow for the continued delivery of secure and accessible currency for all.

- (6) Modernize and protect information technology:** Support optimization and accessibility of IT functionality and security, institutionalize new industry advances while keeping current functionality cost-effectively operational throughout transition periods.
- (7) Improve organizational efficiency, effectiveness, and sustainability:** Enhance efficiency and effectiveness through Bureau business functions that sustain operations to consistently deliver timely and high-quality products and services that exceed customer expectations.
- (8) Build workforce of today and tomorrow:** Create and sustain a high performing, results-driven workforce that consistently demonstrates high levels of teamwork, collaboration, job satisfaction and pride in organizational, team, and individual work accomplishments.

The Bureau is fully positioned to achieve its strategic goals and objectives by leveraging opportunities to strengthen its workforce, improve product quality, enhance counterfeit deterrence, and streamline manufacturing processes. Through strategic planning the Bureau will continue to uphold its legacy of excellence.

Quality Program

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

Quality Policy

In FY 2025, 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 2025, the BEP fulfilled its mission amid shifting currency production demands 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. FY 2026 will see an increased focus on the quality of our overall packaging, shipping, and delivery accuracy. BEP is aiming to improve customer satisfaction in this critical area. New automated Inspection Finishing Systems continue coming online to replace older SNI note reclamation and requiring various phases of complex inspection adaptation development for \$1, \$5, \$20, and \$100 products.

In FY 2025, the BEP successfully completed our Tolerances for Inspection and Quality (TIQ) Trial for the new \$10 note, which resulted in an approved draft of the Quality Standards for this banknote to support CFD \$10 verification testing. In total, 92 quality standards for various aesthetic, dimensional, and functional requirements across 7 production operations were agreed to with manufacturing, product development, quality and the FRB. In addition, a total of 120 quality controls were formalized in the CFD \$10 Quality Control Plan for use and further evaluation during verification testing.

The BEP Calibration Program has continued to maintain a 100 percent Operational Availability Rate of critical-to- quality assets for 12-plus consecutive months. The assets in the Calibration Program have continued to grow by approximately 20% in FY 2025, with major contributors to this increase being new assets that will support CFD in screen and foil operations, environmental, health and safety for our WCF location, as well as assets for performing in-house calibrations. In addition, BEP has started performing in-house calibrations for assets where it is inefficient and/or impractical to send out for service. We have added 6 in-house calibration services to our program in FY 2025, for a total of 8 types of in-house calibrations performed at BEP.

Corrective and Preventative Actions (CAPA)

The CAPA process identifies, tracks and corrects the causes of non-conformances or potential non-conformances in U.S. currency production. Typically, customer complaints and internal and external quality audits identify non-conformances.

Continual improvement of CAPA is based upon rigorous root-cause investigations and thorough documentation of the corrective action plans. In FY 2025, Quality completed 75 investigations on quality incidents; as well as 21 full root cause investigations with implementation of corrective actions. Notable corrective actions for FY 2025 include implementation of new procedures and processes to reduce miscuts and gross letterpress errors (missing seals and serial numbers), an overview of our vault operations garnering support for reduction in the manual nature of this work (implementation in progress), and more standardized shipping procedures. The CAPA system has matured through BEP staff's continual focus, and collaboration amongst leaders in BEP's CAPA Council, which has led to continuous system improvement, and increased efficiencies and implementing improvements.

Customer Satisfaction and Communications

In addition to monthly Quality Meetings, the Bureau holds a semi-annual CAPA reviews with the Federal Reserve Board 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-up actions. During FY 2025, the BEP's quality engineers, QA specialists and scientists, in addition to multiple directorates across the BEP, suppliers, the U.S. Secret Service (USSS) and the Federal Reserve successfully resolved several complex CAPA investigations. For FY 2025, this type of collaboration and communication were key in effectively addressing and resolving quality concerns. Quality served as the liaison for the FRB for a total of 14 Quality Notifications in FY 2025, serving as the point of contact for 8 notifications from BEP to FRB and 6 from FRB to BEP.

BEP and FRB meet regularly, but Quality hosts a formal BEP/FRB Monthly Quality Meeting. This year the meeting has also focused on Product Lifecycle management topics, which provide the opportunity for healthy dialog on product management and quality topics.

Ready to Ship Quality

In FY 2025, the Bureau continued to make improvements to its final QA Release Processes by updating its procedures to include new Catalyst family banknote defects and a shift in terminology to quality accepted defect levels of Critical, Major and Minor. BEP maintains a robust final release program. In total 104 quality holds were resolved in FY 2025, with an average hold time of only 4 days.

Quality Management Controls

In FY 2025, external ISO Registrar auditors conducted the BEP's ISO 9001:2015 surveillance audits, and both facilities (DCF/WCF) successfully continued to maintain ISO certification. The external auditors noted several strengths, including employee knowledge, improved ability to inspect for defects, and BEP's ability to recover notes from sheets initially rejected.

Quality management system reviews (QSMR) are held quarterly, and the QSMR provides a regular forum for senior leadership to assess the effectiveness of the Bureau's QMS and to identify quality improvement activities, issues, and risks. In FY 2025, the QSMR shifted to a new format reducing meeting time from 2 hours to 1 hour, while increasing engagement and focus on relevant Quality topics.

The Quality Audit Program is also a key program driving continuous improvement of the QMS and assuring conformance to the ISO 9001:2015 requirements. The Bureau's Quality Audit team performs both internal and external supplier audits to ensure excellent quality performance. During FY 2025, the team successfully completed a full schedule of both internal audits (12 processes) and external audits of 6 suppliers, included our suppliers for paper, ink and packaging materials.

Materials Management

Materials management continues to focus on raw material key characteristics, inspection of incoming materials, material traceability, final quality release process improvement, and alignment of materials with supply chain activities. The materials management goal is to improve raw material performance, reduce costs and improve material quality.

Round-robin laboratory testing with suppliers also helped build strong coalitions focused on quality. In FY 2025, the Bureau also continued to expand its laboratory materials testing capabilities with new testing equipment and training.

Data Analytics

The Bureau's goal is to make sound decisions based on data and effective analysis. To this end, the BEP has made significant advances to expedite decision making on quality-related matters. The BEP uses a unified Laboratory Information Management System (LIMS) that centrally stores a vast amount of data on a secure SharePoint website accessible to all Quality Laboratories. In addition, to take effective actions, the BEP uses data visualization software 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. In FY 2025, strategies were developed to improve engagement and participation in the Bureau's Analytics Community of Practice (ACoP). A robust community of practice in analytics is considered a strength for the Bureau and the U.S Currency Program. The ACoP is chaired by a Quality staff member.

Other 2025 Quality Key Accomplishments

Construction activities for a new Quality Assurance Lab area at the WCF began this year, which will provide an improved area and space to carry out final product release activities and also serve as the home for the next generation of the Board's banknote processing equipment.

The BEP continues implementation of a new QMS software application using a Salesforce technology, Propel, to manage major quality functions, specifically Document Management, CAPA, Change Control Board (CCB), and Audit. The Document Control application is currently like in Propel. CAPA, CCB, and Audit will transfer in FY 2026.

Key Performance Indicators

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

FY 2025 Key Performance Indicators: Target vs. Actual Results

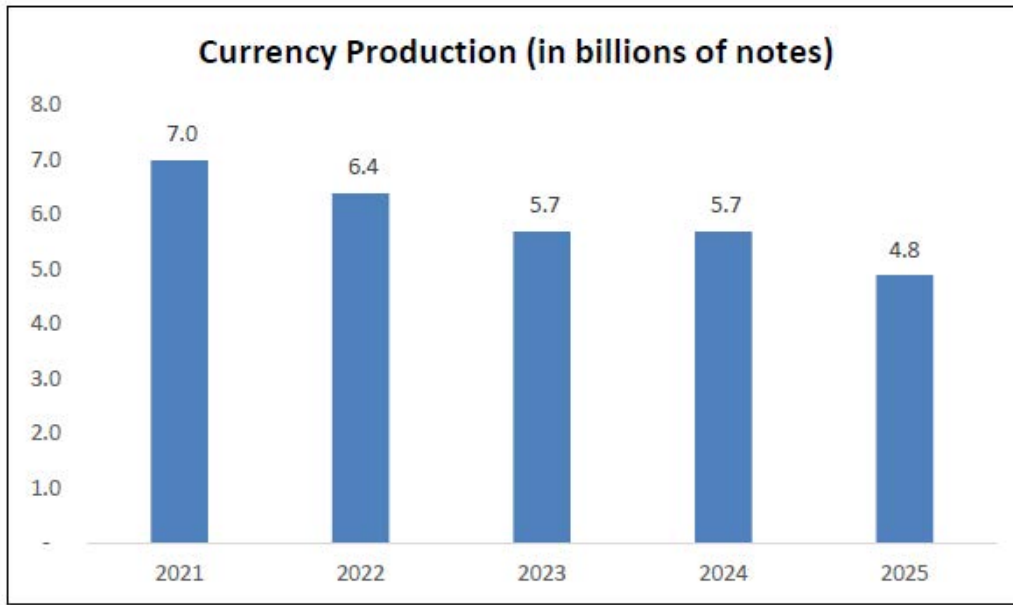
Key Performance Indicators	FY 2025 Target	FY 2025 Actual
1. Manufacturing Cost (per 1,000 notes)	\$81.04	\$70.35
2. Currency Production (in billions of notes)	4.7	4.8
3. Productivity (year-over-year change)	-26.1%	-23.1%
4. Spoilage	10.0%	6.94%

Explanation of KPIs

The following metrics are the KPIs utilized by the Senior Executive Team (SET) in periodically assessing the performance and progress towards achieving BEP's strategic goals. The table above compares the actual results to the target for each metric in FY 2025.

Manufacturing Cost

Manufacturing cost is the total cost associated with manufacturing a product on a per unit basis (the unit is 1,000 banknotes). The calculation is as follows: the total manufacturing cost over the number of units produced. For BEP, the manufacturing costs include direct labor, materials and applied manufacturing overhead. In FY 2025, the actual manufacturing cost per 1,000 currency notes was below the target due to material savings achieved from lower-than-expected spoilage. The savings in spoilage is due to continued reclamation of individual notes through the SNI and IFS processes. The Bureau can run the \$1, \$5, \$20, \$50 and \$100 notes on reclamation equipment, resulting in significant savings from reduced spoilage. IFS machines are installed at both facilities, replacing SNI. Adaptations have been developed for the \$1 and \$5 note at WCF and in development for the new series notes (\$10).

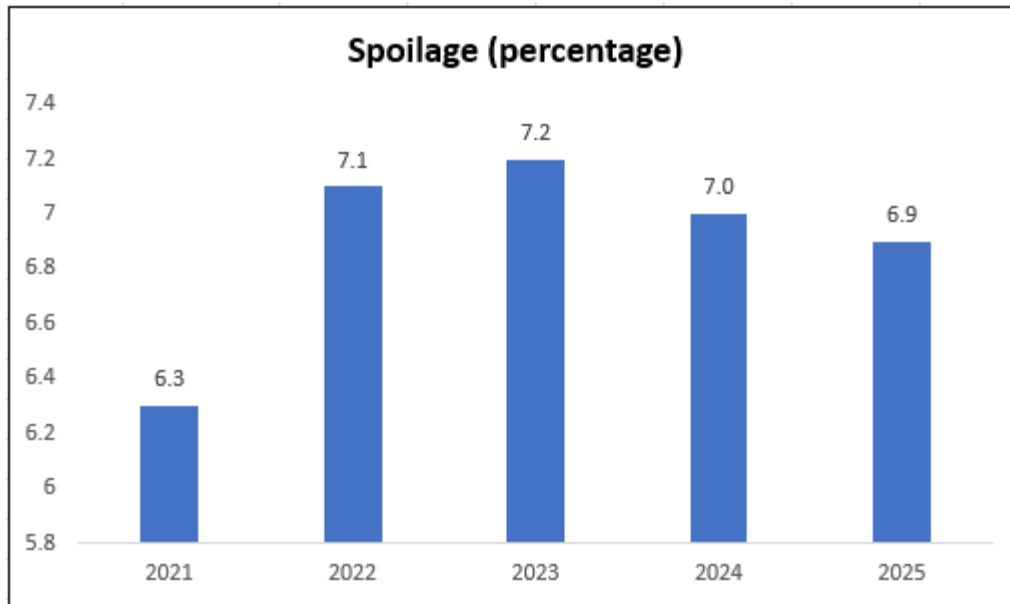


Currency Production

Currency production is the total number of currency notes produced and delivered to the Federal Reserve banks during the fiscal year. The number of currency notes produced is based on the APO submitted by the FRB. The FRB submits the APO at the start of each year for the calendar-year, and as needs shift, the BEP and the FR will adjust as necessary. The initial CY 2025 APO was for a range of 4.1 to 5.9 billion notes. During the year, the BEP and the FRB adjusted the APO within these ranges to best match available production with fluctuating currency demand.

Productivity

Productivity measures output per unit of input and is a key indicator of the efficiency of the production process. For BEP, the output is the number of currency sheets produced and the input is the number of full-time employees (FTEs). The output of currency production is determined by the APO, and the number of FTEs remains relatively consistent year-over-year. In FY 2025, the target change in productivity was set at a year-over-year decrease of 26.1 percent (due to the decrease in scheduled notes delivered). The BEP produced 78,113 sheets of currency per FTE in FY 2025 in comparison to 91,455 sheets per FTE in FY 2024, resulting in a year-over-year decrease in productivity. The Deferred Resignation Program affected BEP this year and led to many employees continuing to be paid but effectively not at work to be productive toward the BEP mission. This, along with a lower APO combined to make 2025 less productive for BEP overall related to sheets of currency per FTE.



Spoilage

Spoilage is material wastage or loss occurring during the manufacturing process. It is an inherent result of any production process, as it is unavoidable and expected, and is a key indicator of the overall effectiveness of the production process and quality of material inputs. The calculation for spoilage is the total number of spoiled units, divided by the total units produced, multiplied by 100. In FY 2025, overall currency spoilage was below the established target, due to the continued reclamation of the \$1, \$5, \$20, \$50 and \$100 notes through the SNI and IFS processes during the year, as noted above for driving the savings in manufacturing cost.

FY 2021-2025 Comparable Key Performance Indicators

Key Performance Indicators	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1. Manufacturing Cost (per 1,000 notes)	\$61.81	\$63.96	\$59.81	\$66.97	\$70.35
2. Currency Production (in billions of notes)	7.0	6.4	5.7	5.7	4.8
3. Productivity (year-over- year change)	14.3%	-2.5%	-10.9%	0.1%	-23.1%
4. Spoilage	6.3%	7.1%	7.2%	7.0%	6.9%

KPI 5-Year Trend Analysis

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

Manufacturing Cost

Between FY 2021 and FY 2025, actual manufacturing cost steadily increased from \$61.81 to \$70.35. The increase in manufacturing cost over this period is mainly driven by the costs of inflation (labor and materials), the decreasing order over the same period and the increased demand for higher denomination notes. As the denomination value goes up, additional security features are required, resulting in a more complex and costly production process.

Currency Production

Currency production fluctuated from 7.0 billion notes in 2021 to 4.8 billion notes in FY 2025. Annual currency production is determined by the Annual Print Order (APO) submitted by the FRB each year and adjusted accordingly as needed. In FY 2022 and FY 2023, the FRB increased the APO significantly in response to the pandemic and the surge in demand for currency, especially for high denomination notes, resulting from economic stimulus packages. Beginning in FY 2023, the APO gradually declined to pre-pandemic levels as the national and global economies faced residual impacts from the pandemic and the demand for currency shifted. We expect decreasing demand over the course of the next few years.

Productivity

Productivity is a measure of volume (sheets) produced by employee total. The negative trend in 2025 indicates lower production per employee is occurring at BEP in FY 2025 compared to FY 2024, indicating less efficiency overall for the organization. There is always forward production for future periods (work that has started and not yet delivered to the customer), and that production affects the productivity. This forward production occurred in FY 2025, as it does each year. Generally, when APO requirements are lower, productivity gains are more difficult to achieve and the APO volume has a substantial effect on productivity overall.

Spoilage

Spoilage has remained steady in the range of 6 percent to 7 percent over the past several years. Overall, currency spoilage has remained below the target each year due to maturation of the BEP quality system and expansion of the reclamation process. Although in more recent years, the reclamation process has expanded, overall spoilage has not decreased significantly due to the increased production of the higher denomination notes that undergo a more complex manufacturing process and inherently result in more normal spoilage.

Prompt Payment

To ensure federal agencies pay invoices in a timely manner, Congress passed the Prompt Payment Act (PPA), and the Office of Management and Budget (OMB) issued Circular A-125, which is now codified as part of the Code of Federal Regulations (CFR). Generally, the CFR requires payment within 30 days after the agency has received a proper invoice. An invoice is deemed received on the later of receipt date or seven days after delivery of good or services unless the contract specifies other terms. If this time frame is not met, an interest penalty must be paid to the vendor. Within Treasury, the late payment rate performance target is that no more than two percent of the invoices subject to the PPA shall be paid late (i.e., at least 98 percent are paid within 30 days).

BEP's prompt payment performance (FY 2021-2025)

Performance Measure	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Number of invoices paid late	19	3	8	7	14
Interest paid	\$1,377	\$458	\$1,623	\$990	\$1,250
Percentage of invoices paid on-time	99.64%	99.95%	99.85%	99.86%	99.67%

In FY 2025, the BEP paid 99.67 percent of all invoices on time, and the percentage of invoices paid late has remained within the target range established by Treasury. In recent years, the BEP established a cross-functional team comprised of staff from the Office of Financial Management, the Office of Compliance (OC) and the Office of Supply Chain Management (OSCM). This team worked on various process improvements, which yielded a significant improvement in the Bureau's prompt payment performance rate. The team continues to meet as needed basis to ensure the Bureau's prompt payment performance rate is within or below the Treasury's acceptable range of two percent.

Management Discussion & Analysis

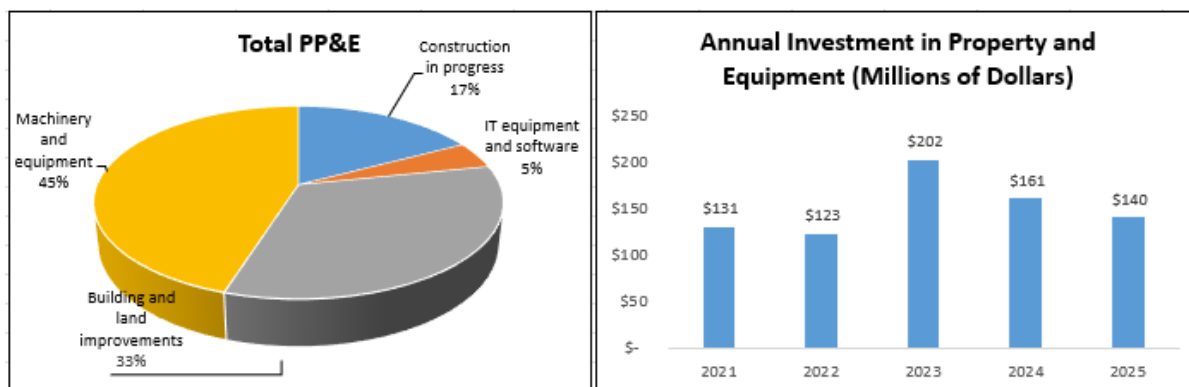
Please read the following in conjunction with the Financial Statements and Notes and the Performance and Accountability Report financial data.

Cash

Cash increased by \$77 million in FY 2025, primarily due to reimbursements from the Federal Reserve Board (FRB) associated with increased revenue from sales of currency. Although cash flows provided by operations decreased from \$322.3 million in FY 2024 to \$217.5 million in FY 2025, the Bureau ended the year with a stronger cash position. This reflects the timing of FRB reimbursements and disciplined management of working capital during a year of elevated investment activity.

Property and Equipment

Net property and equipment increased by \$74.8 million. The increase is attributed to capital investments in currency manufacturing equipment and construction projects in excess of depreciation. The new Intaglio Press, N/S LEPE Next Generation, \$100 Fishing Line, and Production Rotary Screen Press projects are greater than the 5% of total capital spending in FY 2025.

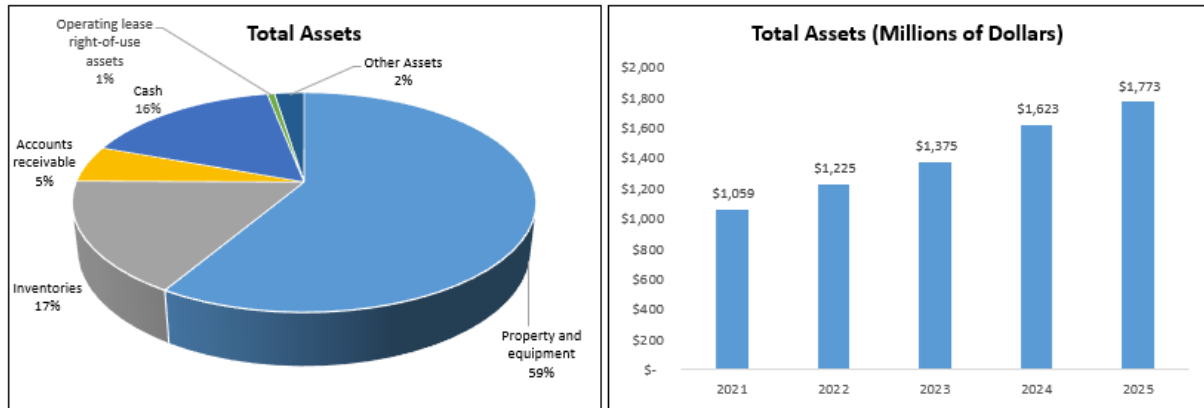


Operating Lease Right-of-use Assets

Operating lease right-of-use assets decreased by \$3.8 million due amortization of the amount due on the remaining term for leases where BEP is the lessee. The current identified capital leases include the Landover Warehouse, and the GSA leased vehicles.

Other Assets

Other assets decreased by \$4.0 million in FY 2025, which was related to decreased receipt of repair part inventories.



Accounts Payable

Accounts payable increased from \$29.3 million in FY 2024 to \$54.9 million in FY 2025 due to an increase to timing of vendor payments, and year-end liability accruals booked.

Accrued Current Liabilities

Accrued current liabilities decreased from \$35.1 million in FY 2024 to \$32.1 million in FY 2025 mainly due to accrued payroll liabilities driven by the payroll calendar and timing of disbursements.

Advances

Advances increased from \$20.1 million in FY 2024 to \$41.9 million in FY 2025 primarily due to outstanding mutilated currency claims.

Workers' Compensation Liabilities

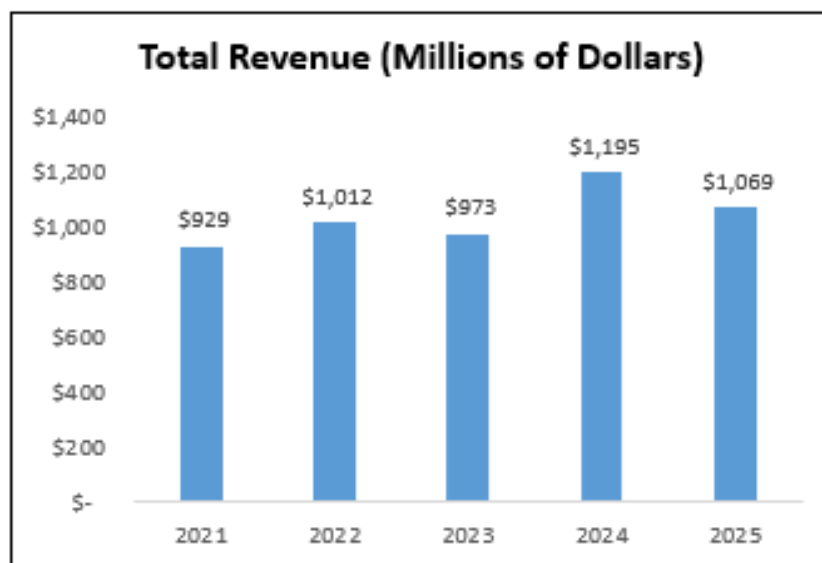
The actuarial workers' compensation liability decreased from \$52.1 million in FY 2024 to \$51.0 million in FY 2025, due to decrease in the overall estimated liability for future Federal Employees' Compensation Act (FECA) benefits for Treasury.

Operating Lease Liabilities

Operating lease liabilities decreased by \$3.9 million due to monthly amortization of the present value of the remaining term for BEP's leases of the Landover Warehouse and GSA leased Vehicles.

Revenue

Overall, revenue decreased by \$126.6 million, from \$1,195.3 million in FY 2024 to \$1,068.7 million in FY 2025. Revenue from currency sales increased by \$19.1 million primarily due to an increase in Currency Sales to the FRB driven by an increase in the annual fee billed to the FRB for fixed printing costs during FY 2025 compared to FY 2024. There was an additional decrease to the fixed printing costs in FY 2024 due to credits issued related to changes in paper costs.

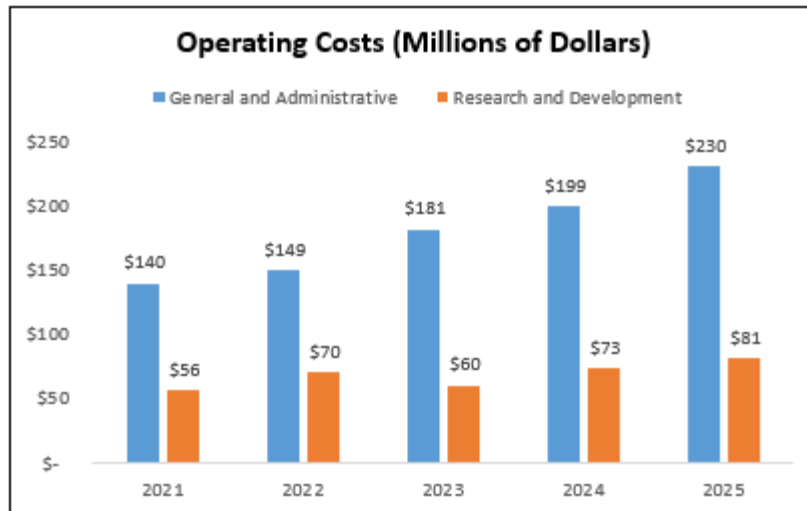


Cost of Goods Sold

Cost of goods sold decreased by \$4.36 million from \$652.2 million in FY 2024 to \$647.9 million in FY 2025. This was mainly due to the lower Annual Print Order Volume from over 5.2 billion notes to 4.8 billion notes.

Operating Costs

Operating costs increased by \$40 million in FY 2025, mainly due to an increase in general and administrative expenses with the increase in IT as well as an increase in research and development for the increased costs of Catalyst testing in 2025 for scheduled production and potentially delivery in FY 2026.



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 2025, 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) enacted in 1982, requires agencies to perform regular evaluations of internal controls and financial management systems to protect against waste, fraud and abuse. These internal control requirements were further increased by the subsequent passages of the Chief Financial Officers Act of 1990, the Federal Financial Management Improvement Act of 1996 and the Sarbanes-Oxley Act of 2002.

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

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

To enhance product accountability, the Bureau maintains an accountability help desk at the DCF and the WCF. The help desks are staffed by personnel knowledgeable in all aspects of the Bureau's accountability system. They provide training and day-to-day assistance to accountability system users to prevent, minimize or resolve product accountability issues. In addition, they review and update existing accountability procedures and reports to provide the controls needed to properly track and account for Bureau securities.

Ongoing efforts to improve internal controls include compliance reviews and an active internal control awareness program. The Bureau conducts compliance review tests at both facilities to promote compliance with operating policies and procedures through unannounced reviews in production, storage and offline components with security items. During FY 2025, the BEP performed 157 unannounced reviews. The results of the reviews were reported to executives, office chiefs, supervisors and managers responsible for enforcing policies and procedures and implementing corrective actions.

The Internal Control Awareness Program promotes the visibility and understanding of internal control issues, objectives and requirements. Internal review personnel conduct management and organizational reviews at both facilities to strengthen the Bureau's internal controls, ensure compliance with existing policies and procedures, and safeguard assets.

The Bureau's 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 41st 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 2025, 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. The Bureau's major applications and general support systems are compliant in meeting the requirement for Security Assessment and Authorization (SAA) at least every three years. Additionally, the BEP remains committed to full implementation of the National Institute of Standards and Technology (NIST) SP800-53 and SP800-53A management, operational and technical controls for IT systems as well as 100 percent implementation of the United States Government Configuration Baseline for Microsoft software and NIST-approved configurations for other operating systems and databases.

In FY 2025, 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 155 administrators on the BEP domain and more than 460 local administrator accounts within CyberArk in FY 2025. 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 contingency plans (CP) for the Bureau's major systems that support financial operations such as MSS and completed a CP test exercise on April 19, 2025. During FY 2025, the CIO Directorate planned and executed an assessment of IT security controls for Manufacturing Support Suite (MSS). As of

September 30, 2025, all evaluated security controls were operating effectively. The FY 2025 Financial Statement Audit (FSA) was initiated and not completed due to the government shutdown and subsequently placed on-hold. The CIO Directorate will issue a report to the CFO Directorate outlining any assessment findings and recommendations once the FSA is closed.

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

Management is responsible for managing risks and maintaining effective internal control and financial management systems that meet objectives of the FMFIA. Risk management practices that identify, assess, respond to, and report on risks are taken into account when designing internal controls and assessing their effectiveness. The Bureau conducted its assessment of risk and internal controls in accordance with OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk. Based on the results of this assessment, we provided reasonable assurance that the internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2025.

In addition, we conducted an assessment of its financial management systems in accordance with OMB Circular A-123, Appendix D, Management of Financial Management Systems – Risk and Compliance. Based on the results of this assessment, the Bureau's financial management systems substantially comply with FFMIA Section 803(a) as of September 30, 2025.

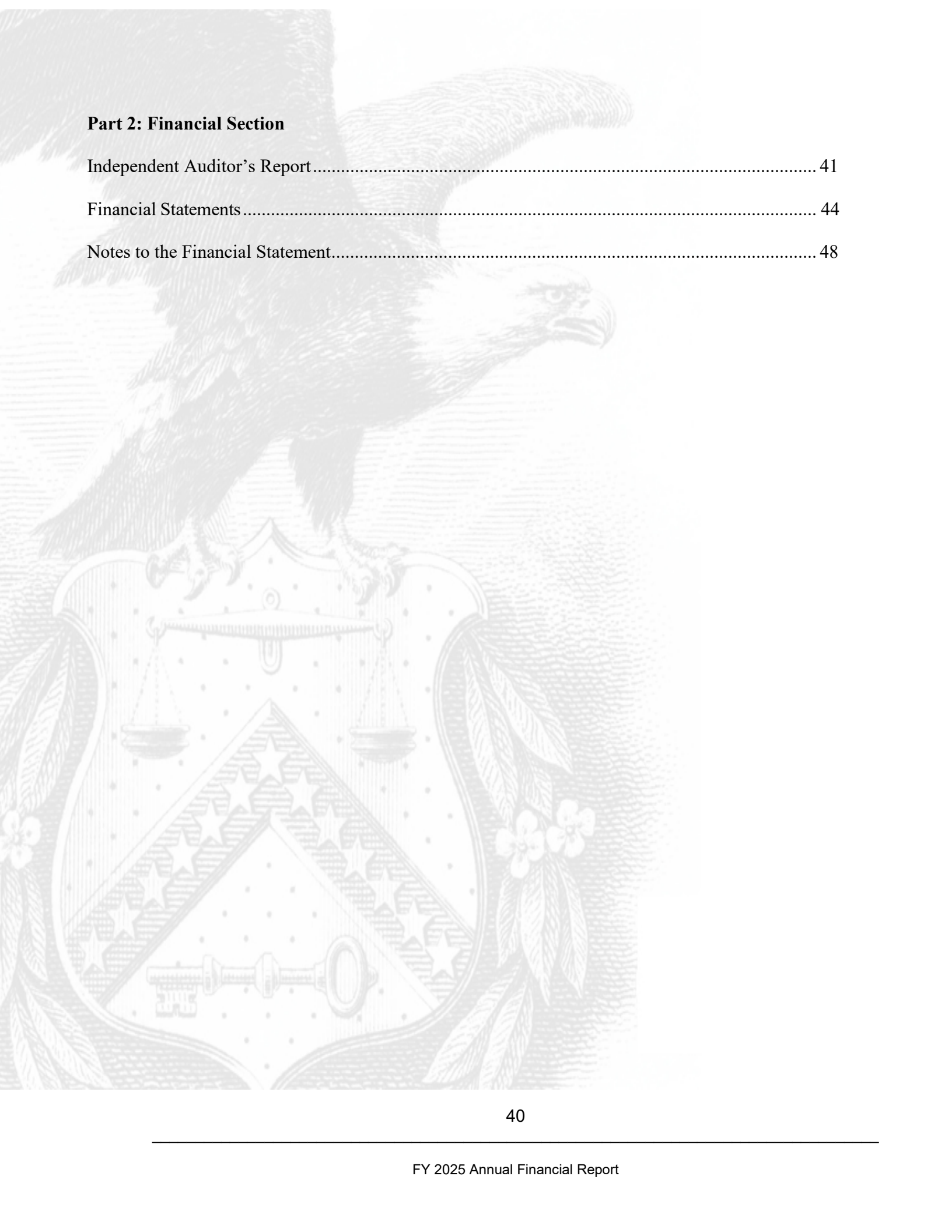
As part of this evaluation process, the Bureau considered the results of extensive testing and assessment across the organization and independent audits.

Summary of Office of Inspector General Audits

The Bureau began FY 2025 with three open recommendations, and the Treasury's Office of Inspector General issued two new recommendations during FY 2025. These pertained to training, policy and/or procedural adherence, and internal controls. During FY 2025, the Bureau implemented corrective action on three recommendations and is continuing efforts to implement two open recommendations.

Limitations of the Financial Statements

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



Part 2: Financial Section

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

Independent Auditors' Report

Deputy Inspector General
Department of the Treasury

Director
Bureau of Engraving and Printing, Department of the Treasury

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bureau of Engraving and Printing (the Bureau), which comprise the balance sheet as of September 30, 2025, and the related statements of operations and cumulative results of operations, and cash flows for the year 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, 2025, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bureau and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,



forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, 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.

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.

Other Information

Management is responsible for the other information included in the *Annual Financial Report FY 2025*. The other information comprises the *Message from the Director; Message from the CFO; Highlights of the Year; Profile of the Bureau of Engraving and Printing; Executive Organizational Structure; Safety, Health and Environmental Management; Strategic Plan; Quality Program; Key Performance Indicators; Management Discussion and Analysis; Federal Managers' Financial Integrity Act Plans and Accomplishments; Custody of Assets; Assurance Statement; Summary of Office of Inspector General Audits* but does not include the financial statements and our auditors' 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.

Other Reporting Required by *Government Auditing Standards*

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, 2025, 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, 2025 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-02.

Purpose of the Other 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. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 23, 2026

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

Financial Statements

Year ended September 30, 2025

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

Balance Sheet
As of September 30, 2025

	2025
	(In Thousands)
ASSETS	
Current assets	
Cash (Note 3)	\$ 343,211
Accounts receivable (Note 10)	93,614
Inventories, net (Note 4)	268,479
Prepaid expenses	107
Total current assets	705,411
Property and equipment, net (Note 5)	1,025,134
Operating lease right-of-use assets (Note 13)	6,024
Other assets, net (Note 6)	35,938
Total assets	\$ 1,772,507
LIABILITIES AND EQUITY	
Liabilities	
Current liabilities (Notes 7 and 8)	
Accounts payable	\$ 54,915
Accrued liabilities	32,132
Advances	41,941
Total current liabilities	128,988
Workers' compensation liability (Note 8)	57,894
Operating lease liabilities (Note 13)	2,133
Total liabilities	\$ 189,015
Commitments and contingencies (Note 12)	
Equity	
Invested capital	39,591
Cumulative results of operations	1,543,901
Total equity	\$ 1,583,492
Total liabilities and equity	\$ 1,772,507

See accompanying notes to the financial statements.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING
Statement of Operations and Cumulative Results of Operations
For the Year Ended September 30, 2025

	2025
	(In Thousands)
Revenue (Note 10):	
Sales	\$ 968,545
Non-exchange surcharge for capital investments	94,829
Other	5,319
Total revenue	<u>1,068,693</u>
Cost of goods sold	<u>647,856</u>
Gross margin	<u>420,837</u>
Operating costs:	
General and administrative expenses	230,079
Research and development	81,281
Total operating costs	<u>311,360</u>
Excess of revenues over expenses	109,477
Cumulative results of operations at beginning of year	<u>1,434,424</u>
Cumulative results of operations at end of year	<u>\$ 1,543,901</u>

See accompanying notes to the financial statements.

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

Statement of Cash Flows
For the Year Ended September 30, 2025

	2025
	(In Thousands)
Cash flows from operating activities	
Excess of revenues over expenses	\$ 109,477
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:	
Depreciation	62,714
Loss from obsolescence	3,141
Loss from disposal of property and equipment	2,960
Changes in assets and liabilities	
(Increase) Decrease in accounts receivable	(6,035)
(Increase) Decrease in inventories	221
(Increase) Decrease in prepaid expenses	10
(Increase) Decrease in operating lease right-of-use assets	3,770
(Increase) Decrease in other assets	867
Increase (Decrease) in accounts payable	25,580
Increase (Decrease) in accrued liabilities	(3,002)
Increase (Decrease) in advances	21,829
Increase (Decrease) in workers' compensation liability	(97)
Increase (Decrease) in operating lease liabilities	(3,936)
Net cash provided by operating activities	<u>217,499</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(140,452)</u>
Net cash used in investing activities	<u>(140,452)</u>
Net (decrease) increase in cash	77,047
Cash at beginning of year	<u>266,164</u>
Cash at end of year	<u><u>\$ 343,211</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, 2025

1. Reporting Entity

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

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

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

2. Summary of Significant Accounting Policies

Basis of Accounting

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

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

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 has identified approximately \$680 million in capital improvement projects that have been deferred beyond the current reporting period. These projects are essential to maintaining and enhancing the infrastructure of the Washington, D.C. facility. They include corrective actions to restore the facility to acceptable operating condition, infrastructure modernization initiatives, and equipment replacement needs. Deferred capital improvements represent planned expenditures that have been postponed to future periods. As such, they are not reflected as capital assets or liabilities in the current reporting period.

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

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

Other Assets

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

Employee Retirement Plans

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

Postretirement Benefits Other than Pensions

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

Workers' Compensation Costs

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

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

The second component, the actuarial FECA liability, is the estimated liability for future benefit payments. These future workers' compensation estimates were generated by the DOL from an application of actuarial procedures developed to estimate the liability for future FECA benefits. The actuarial liability for future worker's compensation benefits includes the expected liability for death, disability, medical and miscellaneous costs for approved compensation cases, plus a component for incurred but not reported claims. Liability is determined using a method that utilizes historical claim data and benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These annual benefit payments have been discounted to present value using the Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues to reflect the average duration in years for income payment and medical payments.

Discount rates as of September 30, 2025, were 3.221 percent and 2.944 percent for income payments and medical in year one and subsequent years, respectively. The U.S. Department of the Treasury allocated the overall liability to Treasury components based on past claims paid information provided by the DOL.

Annual, Sick, and Other Leave

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

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

Revenue Recognition

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

Contingencies

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

Fair Value Measurements

FASB Accounting Standard Codification (ASC) 820-10, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Bureau's financial instruments are comprised of cash, accounts receivable, accounts payable, accrued liabilities, and advances as of September 30, 2025. 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, 2025.

Leases

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

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

3. Cash

The year-end cash balances by fund are as follows as of September 30, 2025:

	(In Thousands)
	2025
Bureau revolving fund	\$ 301,308
Mutilated currency claims fund	41,903
General fund receipt account	-
Total	<u>\$ 343,211</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 sheet as of September 30, 2025 (See Note 7).

4. Inventories

Inventories consist of the following as of September 30, 2025:

	(In Thousands)
	2025
Raw material and supplies	\$ 137,399
Work-in-process	76,884
Finished goods - currency	39,008
Finished goods - uncut currency	12,285
E-Reader inventory	2,903
Total	<u>\$ 268,479</u>

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

Notes to the Financial Statements
September 30, 2025

5. Property and Equipment, net

Property and equipment consist of the following as of September 30, 2025:

	(In Thousands)
	2025
Land	\$ 7,156
Machinery and equipment	864,989
Building and land improvements	635,762
IT equipment and software	86,394
Office machines	-
Furniture and fixtures	2,492
Donated assets - artwork	125
Motor vehicles	425
Leasehold improvements	230
	<u>1,597,573</u>
Less accumulated depreciation	<u>903,535</u>
	694,038
Construction-in-progress	<u>331,096</u>
Net property and equipment	<u><u>\$ 1,025,134</u></u>

Depreciation expense for the year ended September 30, 2025 is \$62.7 million.

Equipment spending occurred primarily on the non-sequential Large Examining and Printing Equipment (ns-LEPE Intaglio Press, \$100 Finishing Line, Rotary Screen Press, New Offset Press, and Hot Foil machines. The increase in spending on construction projects occurred primarily on the DCRF.

The Bureau occupies and uses buildings and land owned by the U.S. Department of the Treasury. The land and building shell for the Fort Worth, Texas, facility were donated by the City of Fort Worth to the U.S. Department of the Treasury in 1987. Treasury retains ownership of these assets and discloses them as appropriate in its consolidated financial statements. At the time of donation, the land had an appraised value of \$1.5 million, and the building shell cost was \$5.6 million. In accordance with the provisions of Public Law 81-656, Bureau financial statements include only the costs to build out the Texas facility. In accordance with the provisions of Section 7602 of the Agriculture Improvement Act of 2018, Bureau financial statements include the land to build the DCRF, at the appraised value at the time of the transfer from the Department of Agriculture of \$7.2 million. In accordance with ASC 230, this transfer was considered to be a noncash investing and finance activity.

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

Notes to the Financial Statements
September 30, 2025

6. Other Assets, net

Other assets consist principally of machine repair parts and tools. The allowance for obsolescence for these parts and tools for the year ended September 30, 2025, was \$29.1 million.

7. Current Liabilities

All current liabilities are funded and consist of the following as of September 30, 2025:

	(In Thousands)
	2025
Intragovernmental	\$ 8,834
With the public	120,154
Total current liabilities	<u>\$ 128,988</u>

Accrued current liabilities consist of the following as of September 30, 2025:

	(In Thousands)
	2025
Payroll	\$ 7,535
Annual leave	15,762
Worker's compensation	4,666
Operating lease	3,936
Other	233
Total accrued liabilities	<u>\$ 32,132</u>

Advances consist of the following as of September 30, 2025:

	(In Thousands)
	2025
Mutilated currency	\$ 41,941
Other	-
Total advances	<u>\$ 41,941</u>

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

8. Workers' Compensation Liability

Claims incurred and paid by the DOL as of September 30, 2025, but not yet reimbursed to the DOL by the Bureau, are approximately \$11.6 million. Of these balances, approximately \$4.7 million represents a current liability, as of September 30, 2025. The Bureau will reimburse the DOL for these claims in the next two years. The Bureau's estimated noncurrent, actuarially derived future workers' compensation liability was approximately \$51.0 million as of September 30, 2025. The Bureau's estimated, undiscounted, non-current, actuarially derived future workers' compensation liability was approximately \$74.3 million as of September 30, 2025.

9. Employee Retirement Plans and Postretirement Benefits Other than Pensions

Employer contributions to the retirement plans were \$45.9 million for fiscal year 2025. The CSRS employer contribution rate for fiscal year 2025 was 7.0 percent. The FERS agency contribution rate for fiscal years 2025 was 18.4 percent. The cost of providing the CSRS and FERS benefits is more than the amounts contributed by the Bureau and the employees to OPM. The total costs of providing benefits, including the costs financed by OPM, were \$70.1 million in 2025.

OPM paid costs totaling \$18.0 million for the Federal Employees Health Benefits Program (FEHBP) and Federal Employees Group Life Insurance (FEGLI) programs in 2025. These costs are not included in the Bureau's Statements of Operations. The Bureau paid costs totaling \$22.7 million for the FEHBP and FEGLI programs in 2025, which is included in the Bureau's Statement of Operations and Cumulative Results of Operations.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

10. Concentration of Revenue

The Bureau's principal customers are other federal and quasi-federal governmental organizations. During 2025, the Bureau's revenues from sales, non-exchange surcharge for capital investment, and services from these organizations as well as the outstanding amounts due from them as of September 30, 2025, is reflected in the following table:

	Revenue (In Thousands) 2025	Accounts Receivable (In Thousands) 2025
Sales:		
Currency production	\$ 960,166	\$ 82,176
Public sales	8,379	4,821
Total sales	968,545	86,997
Non-exchange surcharge for capital investments:		
Production equipment	87,433	-
WCF expansion	-	-
New facility	7,396	-
Total non-exchange surcharge for capital investments	94,829	-
Other:		
Mutilated currency	2,984	832
Meaningful access	1,117	279
Other intragovernmental	1,218	235
Other	-	5,271
Total other	5,319	6,617
Total	\$ 1,068,693	\$ 93,614

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.

THE DEPARTMENT OF THE TREASURY
BUREAU OF ENGRAVING AND PRINTING

Notes to the Financial Statements
September 30, 2025

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, 2025. There were no contingencies, where the risk of loss is reasonably possible as of September 30, 2025. Since the risk of loss for these litigations is not probable, the Bureau did not record any liability. Management believes the ultimate resolution of these litigations will not have a material impact on the reported financial position, results of operations and cash flows.

In 2007, a judge ruled the current U.S. currency design violates Section 504 of the Rehabilitation Act. The court awarded no monetary damages. However, the Bureau is required to provide meaningful access to United States currency for blind and other visually impaired persons as part of the next currency redesign. The cost of currency changes necessary to provide meaningful access will be incorporated into future currency redesign costs. No costs related to the court ruling have been accrued in the accompanying financial statements as of September 30, 2025. 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, \$968.3 million. As of September 30, 2025, the Bureau has made cumulative payments of \$168.5 million, and the remaining commitment outstanding is \$799.8 million. Delivery of the printing equipment will be determined upon successful completion of final factory inspection tests. Delivery of IT software and hardware will be determined upon completion of testing and installation. The Bureau entered into an Inter-Agency Agreement with the United States Army Corps of Engineers for the design review, construction and contract administration of the DCRF. As of September 30, 2025, the Bureau has obligated \$1,847.7 million for the project and has made cumulative payments of \$121.4 million. Progress payments related to the above contracts are included in construction-in-progress within Property and Equipment on the balance sheet as of September 30, 2025. The Bureau's commencement of DCRF construction is currently in review and pending decision with Treasury management.

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

On September 30, 2025, 1,086 employees, or 65 percent of the Bureau's total workforce 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. Fifteen agreements are set to expire within the next year.

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13. Leases

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

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

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

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

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

The following table presents the various components of lease expense as of September 30, 2025:

	(In Thousands)
	2025
Operating lease expense	\$ 4,042
Variable lease expense	497
Short-term lease expense	67
Sub-lease income	(1,100)
Total lease expense	\$ 3,506

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The following table presents supplemental information relating to the cash flows arising from the lease transactions as of September 30, 2025. Cash payments related to variable lease costs and short-term leases are not included in the measurement of ROU assets and operating lease liabilities, as such, are excluded from the amounts below.

	(In Thousands) 2025
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$4,042
Non-cash right-of-use assets for lease liabilities	
Beginning Balance	9,794
In exchange for new lease liabilities	-
Accumulated amortization, ROU assets	(3,770)

The weighted average lease term and discount rate for the Bureau's leases as of September 30, 2025, is approximately 1 year and 6 months and 3.90 percent, respectively.

The table below represents a maturity analysis of expected undiscounted cash flows for leases on an annual basis for the next four years. For the year ending September 30, 2025:

	(In Thousands) 2025
2026	\$ 4,103
2027	2,159
2028	-
2029	-
2030	-
Total future lease payments	6,262
Less: Imputed interest	(193)
Total lease liabilities	\$ 6,069
Less: Current lease liabilities	3,936
Total non-current lease liabilities	<u>\$ 2,133</u>

14. Subsequent Events

The Bureau has evaluated subsequent events through February 23, 2026, the date the financial statements were available to be issued. There were no material events that required additional accruals or disclosures.

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