

**U.S. TREASURY FRANCHISE FUND  
INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2025**



**Prepared By  
Brown & Company CPAs and Management Consultants, PLLC  
December 5, 2025**

**U.S. TREASURY FRANCHISE FUND**  
**INDEPENDENT AUDITOR’S REPORT**  
**AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2025**

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## INDEPENDENT AUDITOR'S REPORT

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

In our audit of the fiscal year 2025 financial statements of the U.S. Treasury Franchise Fund (TFF), we found:

- TFF's financial statements as of and for the fiscal year ended September 30, 2025 are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures<sup>1</sup>, we performed; and
- no reportable noncompliance for fiscal year 2025 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

### Report on the Financial Statements

#### Opinion

In accordance with U.S. generally accepted government auditing standards we have audited TFF's financial statements. TFF's financial statements comprise the balance sheet as of September 30, 2025; the related statement of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal year then ended; and the related notes to the financial statements. In our opinion, TFF's financial statements present fairly, in all material respects, TFF's financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinion

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

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<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A 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

<sup>2</sup> The RSI consists of "Management's Discussion and Analysis" and the "Statement of Budgetary Resources" which are included with the financial statements.

<sup>3</sup> Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TFF's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

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

### Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

### Other Information

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

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

### **Report on Internal Control over Financial Reporting**

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

### Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies<sup>4</sup> or to express an opinion on the effectiveness of TFF's internal control over financial reporting. Given these limitations, during our 2025 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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<sup>4</sup> A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

We performed our procedures related to TFF's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance.

### Responsibilities of Management for Internal Control over Financial Reporting

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

### Auditor's Responsibilities for the Consideration of Internal Control over Financial Reporting

In planning and performing our audit of TFF's financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. generally accepted government auditing standards, we considered TFF's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TFF's internal control over financial reporting. Accordingly, we do not express an opinion on TFF's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

### Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financing reporting are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

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

### Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to TFF. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

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

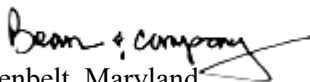
TFF management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to TFF.

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

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

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

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



Greenbelt, Maryland  
December 5, 2025

**TREASURY FRANCHISE FUND**  
**BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2025**  
**(In Dollars)**

	<b>2025</b>
<b>Assets</b>	
Intragovernmental Assets	
Fund Balance with Treasury (Note 2)	\$ 821,599,519.01
Accounts Receivable, Net (Note 3)	27,480,451.42
Advances and Prepayments	33,520,565.01
Total Intragovernmental Assets	882,600,535.44
Other than Intragovernmental Assets	
Accounts Receivable, Net (Note 3)	33,672.43
Property, Plant, and Equipment, Net (Note 4)	85,316,338.87
Total Other than Intragovernmental Assets	85,350,011.30
<b>Total Assets</b>	<b>\$ 967,950,546.74</b>
<b>Liabilities</b>	
Intragovernmental Liabilities	
Accounts Payable	\$ 1,941,022.31
Other Liabilities (Note 6)	2,144,807.82
Total Intragovernmental Liabilities	4,085,830.13
Other than Intragovernmental Liabilities	
Accounts Payable	27,406,237.16
Federal Employee Salary, Leave, and Benefits Payable	27,753,897.25
Other Liabilities (Note 6)	3,265.52
Total Other than Intragovernmental Liabilities	55,163,399.93
<b>Total Liabilities</b>	<b>\$ 59,249,230.06</b>
<b>Commitments and Contingencies (Note 7)</b>	
<b>Net Position</b>	
Unexpended Appropriations	
Cumulative Results of Operations	
Funds from Other than Dedicated Collections	908,701,316.68
Total Cumulative Results of Operations (Consolidated)	908,701,316.68
<b>Total Net Position</b>	<b>\$ 908,701,316.68</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 967,950,546.74</b>

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

**TREASURY FRANCHISE FUND  
STATEMENTS OF NET COST  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025  
(In Dollars)**

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	2025
<b>Gross Program Costs</b>	
Program A	
Gross Costs	\$ 1,815,729,406.26
Less: Earned Revenue	(1,884,037,126.66)
<b>Net Program Costs</b>	<b>(68,307,720.40)</b>
<b>Net Cost of Operations</b>	<b>\$ (68,307,720.40)</b>

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

**TREASURY FRANCHISE FUND**  
**STATEMENTS OF CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**  
**(In Dollars)**

	<b>2025</b>
<b>Unexpended Appropriations</b>	
Beginning Balance	
<hr/>	
Beginning Balance, as Adjusted	
Appropriations Received	
<b>Cumulative Results of Operations</b>	
Beginning Balance	\$ 806,970,923.58
<hr/>	
Beginning Balance, as Adjusted	\$ 806,970,923.58
Transfers In/(Out) without Reimbursement	(746,336.00)
Imputed Financing (Note 8)	34,169,008.70
Other	-
<hr/>	
Net Cost of Operations	68,307,720.40
<hr/>	
Net Change in Cumulative Results of Operations	101,730,393.10
<hr/>	
<b>Total Cumulative Results of Operations</b>	<b>\$ 908,701,316.68</b>
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<b>Net Position</b>	<b>\$ 908,701,316.68</b>
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The accompanying notes are an integral part of these financial statements.

**TREASURY FRANCHISE FUND**  
**STATEMENTS OF CHANGES IN NET POSITION & CUSTODIAL ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**  
**(In Dollars)**

	<b>2025</b>
<b>Unexpended Appropriations:</b>	
Beginning Balance	
<hr/>	
Unexpended Appropriations Beginning balance, as adjusted	
Changes in Unexpended Appropriations:	
<hr/>	
<b>Total Unexpended Appropriations</b>	
<b>Cumulative Results of Operations:</b>	
Beginning Balance	\$ 806,970,923.58
<hr/>	
Cumulative Results of Operations Beginning balance, as adjusted	\$ 806,970,923.58
Changes in Cumulative Results of Operations:	
Net Cost of Operations	\$ 68,307,720.40
Financing Sources:	
Transfers-in/out without reimbursement (+/-)	
Expenditure transfers-out of financing sources	(746,336.00)
<hr/>	
Total transfers-in/out without reimbursement (+/-)	(746,336.00)
Imputed financing from costs incurred by other entities (Note 8)	34,169,008.70
Other	
Non-entity collections transferred to the General Fund of the U.S. Government	(0.01)
<hr/>	
Total Other Financing Sources	(0.01)
<hr/>	
Net Change in Cumulative Results of Operations	101,730,393.09
<hr/>	
<b>Total Cumulative Results of Operations</b>	<b>\$ 908,701,316.67</b>
<b>Custodial Revenue:</b>	
Other Cash Collections	0.01
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<b>Total Cash Collections</b>	<b>0.01</b>
<hr/>	
<b>Net Custodial Revenue</b>	<b>0.01</b>
<b>Distributions of Collections:</b>	
Transferred to Federal Entities (by Recipient)	0.01
<hr/>	
<b>Total Distribution of Collections</b>	<b>0.01</b>
<hr/>	
<b>Custodial Revenue Less Disposition of Collections</b>	<b>\$ -</b>
<b>Net Position</b>	<b>\$ 908,701,316.67</b>

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

**TREASURY FRANCHISE FUND**  
**STATEMENTS OF BUDGETARY RESOURCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2025**  
**(In Dollars)**

	<b>2025</b>
<b>Budgetary Resources</b>	
Unobligated Balance From Prior Year Budget Authority, Net	\$ 262,268,360.67
Spending Authority From Offsetting Collections	1,890,522,016.00
<b>Total Budgetary Resources</b>	<b>\$2,152,790,376.67</b>
<b>Status of Budgetary Resources</b>	
New Obligations and Upward Adjustments (Total)	\$ 1,846,663,397.55
Unobligated Balance, End of Year	
Apportioned, Unexpired Accounts	306,126,979.12
Unexpired, Unobligated Balance, End of Year	306,126,979.12
Unobligated Balance, End of Year (Total)	306,126,979.12
<b>Total Budgetary Resources</b>	<b>\$2,152,790,376.67</b>
<b>Outlays, Net and Disbursements, Net</b>	
Outlays, Net (Total)	\$ (7,932,281.30)
Distributed Offsetting Receipts	-
<b>Agency Outlays, Net</b>	<b>\$ (7,932,281.30)</b>

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

**TREASURY FRANCHISE FUND  
 STATEMENTS OF CUSTODIAL ACTIVITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025  
 (In Dollars)**

	<b>2025</b>
<b>Total Custodial Revenue</b>	
Sources of Cash Collections	
Miscellaneous	0.01
Total Cash Collections	0.01
<b>Total Custodial Revenue</b>	<b>0.01</b>
 <b>Disposition of Collections</b>	
Transferred to Others (by Recipient)	\$ 0.01
<b>Total Disposition of Collections</b>	<b>0.01</b>
<b>Custodial Revenue Less Disposition of Collections</b>	<b>\$ -</b>

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

# UNITED STATES DEPARTMENT OF THE TREASURY

## TREASURY FRANCHISE FUND

### **Consolidated Financial Statements Footnotes For the Fiscal Year Ended September 30, 2025**

#### **Note 1. Significant Accounting Policies**

##### **A. Reporting Entity**

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

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

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

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

##### **B. Basis of Accounting and Presentation**

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

## **Note 1. Significant Accounting Policies (continued)**

These financial statements are provided to meet the requirements of the Government Management Reform Act of 1994. The financial statements consist of the consolidated balance sheets, and the consolidated statements of net costs and changes in net position, and the combined statements of budgetary resources. The financial statements and the related notes are presented on a comparative basis providing information for fiscal year 2025.

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

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

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

### **C. Fund Balance with Treasury**

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

### **D. Accounts Receivable**

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

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

## **Note 1. Significant Accounting Policies (continued)**

### **E. Property and Equipment**

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

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

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

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

### **F. Accounts Payable**

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

### **G. Annual, Sick and Other Leave**

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

## **Note 1. Significant Accounting Policies (continued)**

### **H. Retirement Plans**

The TFF's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the TFF's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the MSPB matches any employee contribution up to an additional four percent of pay. For FERS participants, the TFF also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the TFF remits the employer's share of the required contribution.

The TFF recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the TFF for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The TFF recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The TFF does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

### **I. Other Post-Employment Benefits**

The TFF's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGSIP) may continue to participate in these programs after their retirement. The OPM has provided the TFF with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The TFF recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the TFF through the recognition of an imputed financing source.

### **J. Revenues, Financing Sources and Imputed Financing Sources**

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

When costs that are identifiable to the Fund and directly attributable to the Fund's operations are paid for by other agencies, the Fund recognizes these amounts as imputed costs and financing sources. The Fund recognizes as an imputed financing source, the amount of pension and post-

**Note 1. Significant Accounting Policies (continued)**

retirement benefit expense for current employees paid on behalf of the Fund by OPM, as well as amounts paid from the Department of Treasury Judgment Fund in settlement of claims, legal settlements, or court assessments.

**K. Use of Estimates**

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

**L. Tax Status**

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

**M. Reclassification**

Certain fiscal year 2025 balances may have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

**N. Classified Activities**

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

**Note 2. Fund Balance with Treasury**

*Fund Balance*

As of September 30, 2025, fund balances consisted of revolving funds of \$821,599,519.

*Status of Fund Balance*

	<b>2025</b>
<b>Status of Fund Balance With Treasury</b>	
Unobligated Balance	\$ 306,126,979.12
Obligated Balance Not Yet Disbursed	515,472,539.89
<b>Total Fund Balance With Treasury</b>	<b>\$ 821,599,519.01</b>

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

**Note 3. Accounts Receivable**

Components of accounts receivable as of September 30, 2025, were as follows:

	<b>2025</b>
Intragovernmental	
Accounts Receivable	\$ 27,480,451.42
<b>Total Intragovernmental Accounts Receivable</b>	<b>\$ 27,480,451.42</b>
Other than Intragovernmental	
Accounts Receivable	\$ 33,672.43
<b>Total Other than Intragovernmental Accounts Receivable</b>	<b>\$ 33,672.43</b>
<b>Total Accounts Receivable</b>	<b>\$ 27,514,123.85</b>

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

**Note 4. Property and Equipment, Net**

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

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
<b>2025</b>			
<b>Major Class:</b>			
Buildings	\$ 9,837,955.83		\$ 9,837,955.83
Furniture and Equipment	69,837,899.19	60,525,971.43	9,311,927.76
Construction In Progress	3,534,577.03		3,534,577.03
Software	92,706,263.46	35,255,788.73	57,450,474.73
Software In Development	5,181,403.52		5,181,403.52
<b>Total</b>	<b>\$ 181,098,099.03</b>	<b>\$ 95,781,760.16</b>	<b>\$ 85,316,338.87</b>

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

**Note 5. Other Assets**

Other assets are comprised of advances and prepayments. As of September 30, 2025. Other Assets consisted of the following:

	<b>2025</b>
Intragovernmental Other Assets	
<b>Total Intragovernmental Other Assets</b>	
Other than Intragovernmental Other Assets	
Other Assets	
<b>Total Other than Intragovernmental Other Assets</b>	
<b>Total Other Assets</b>	

**Note 6. Other Liabilities**

Other liabilities account balances as of September 30, 2025 were as follows:

	Current	Non-Current	Total
<b>Intra-Governmental</b>			
Accounts Payable	\$ 1,346,019		\$ 1,346,019
Debt			
Advances From Others and Deferred Revenue	-		-
Other Accrued Liabilities	2,144,808		2,144,808
<b>Total Intra-governmental</b>	<b>\$ 3,490,827</b>		<b>\$ 3,490,827</b>
<b>Other Than Intra-Governmental</b>			
Federal Employee Benefits Payable	\$ 285,847		\$ 285,847
Unfunded Leave			
Pension and Other Post-employment Benefits			
Environmental and Disposal Liabilities			
Benefits Due and Payable			
Loan Guarantee Liabilities			
Insurance and Guarantee Program Liabilities			
Advances From Others and Deferred Revenue			
Accrued Funded Payroll and Leave	27,468,051		27,468,051
Legal and Other Contingent Liabilities			
Other Liabilities Without Related Budgetary Obligations			
Other Liabilities With Related Budgetary Obligations	3,266		3,266
Liability for Deposit Funds and Suspense Accounts			
Lease Liability			
Unearned Lease Revenue			
Other Accrued Liabilities			
<b>Total Other Than Intra-governmental</b>	<b>\$ 27,757,163</b>		<b>\$ 27,757,163</b>

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

**Note 7. Commitments and Contingencies**

There are no contingencies that require disclosure.

**Note 8. Inter-Entity Costs**

The Fund has imputed financing costs of \$34,169,009 with the Office of Personnel Management for the year ended September 30, 2025 relating to post-retirement benefits.

	<b>2025</b>
Office of Personnel Management	\$ 34,169,008.70
<b>Total Imputed Financing Sources</b>	<b>\$ 34,169,008.70</b>

**Note 9. Undelivered Orders at the End of the Period**

As of September 30, 2025, budgetary resources obligated for undelivered orders were as follows:

	<b>Intragovernmental</b>	<b>Other than Intragovernmental</b>	<b>Total</b>
<b>2025</b>			
Paid Undelivered Orders	\$ 33,520,565.01		\$ 33,520,565.01
Unpaid Undelivered Orders	83,110,219.21	441,969,195.74	525,079,414.95
<b>Total Undelivered Orders</b>	<b>\$ 116,630,784.22</b>	<b>\$ 441,969,195.74</b>	<b>\$ 558,599,979.96</b>

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

The President’s Budget that will include fiscal year 2025 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2026 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2026 Budget of the United States Government, with the “Actual” column completed for 2025 has been reconciled to the Statement of Budgetary Resources and there were no material differences.

## Note 11. Reconciliation of Net Operating Cost to Net Budgetary Outlays

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

Reconciliation of Net Cost to Net Outlays as of September 30, 2025:

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Operating Cost (Revenue) Reported on Statement of Net Cost</b>	<b>\$ (1,391,213,117.91)</b>	<b>\$ 1,322,905,397.51</b>	<b>\$ (68,307,720.40)</b>
<b>Components of Net Operating Cost Not Part of the Budgetary Outlays</b>			
Property, Plant, and Equipment Depreciation Expense		(6,408,582.94)	(6,408,582.94)
<b>Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:</b>			
Accounts Receivable, Net	25,786,592.15	(11,233.87)	25,775,358.28
Advances and Prepayments	(385,543.25)		(385,543.25)
<b>(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:</b>			
Accounts Payable	50,405,683.24	(18,131,613.81)	32,274,069.43
Federal Employee Salary, Leave, and Benefits Payable		(1,181,754.64)	(1,181,754.64)
Other Liabilities	(330,253.09)	2,866.62	(327,386.47)
<b>Financing Sources:</b>			
Imputed Cost	(34,169,008.70)		(34,169,008.70)
<b>Total Components of Net Operating Cost Not Part of the Budgetary Outlays</b>	<b>\$ 41,307,470.35</b>	<b>\$ (25,730,318.64)</b>	<b>\$ 15,577,151.71</b>
<b>Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>			
Acquisition of Capital Assets	54,734.54	43,997,216.85	44,051,951.39
<b>Financing Sources:</b>			
Transfers Out (In) Without Reimbursements	746,336.00		746,336.00
<b>Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost</b>	<b>\$ 801,070.54</b>	<b>\$ 43,997,216.85</b>	<b>\$ 44,798,287.39</b>
<b>Misc Items</b>			
Custodial/Non-Exchange Revenue	0.01	(0.01)	-
<b>Total Other Reconciling Items</b>	<b>\$ 0.01</b>	<b>\$ (0.01)</b>	<b>\$ -</b>
<b>Total Net Outlays (Calculated Total)</b>	<b>\$ (1,349,104,577.01)</b>	<b>\$ 1,341,172,295.71</b>	<b>\$ (7,932,281.30)</b>
<b>Budgetary Agency Outlays, Net (SBR 4210)</b>			
<b>Budgetary Agency Outlays, Net</b>			<b>\$ (7,932,281.30)</b>