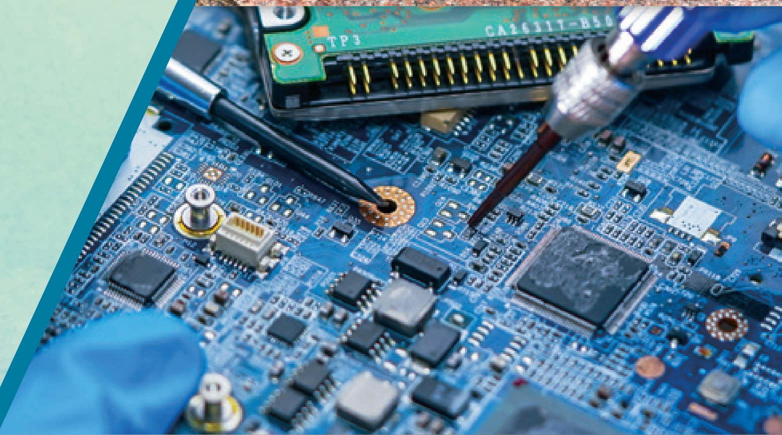
U.S. Department of Commerce

AGENCY FINANCIAL REPORT

FISCAL YEAR 2022



U.S. Department of Commerce

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Message From Secretary Raimondo

I am pleased to present the fiscal year (FY) 2022 *Agency Financial Report* (AFR) for the Department of Commerce. The AFR is an opportunity for us to highlight the Department's accomplishments and challenges in FY 2022, while also providing information on financial management and performance.

The mission of the Department of Commerce is to create the conditions for economic growth and opportunity for all communities. The FY 2022 to 2026 strategic plan was launched in February 2022 and prioritizes investments in innovation, equity, and resilience that will position our workers and businesses for success in the 21st century. Universal affordable, high-speed internet will help workers and businesses develop cutting edge skills and technologies. Meaningful action to combat climate change will support new, high-quality jobs. Our supply chains will be stronger and more diverse. And all Americans, especially those that have been historically excluded, will share in our prosperity.

The bipartisan Infrastructure Investment and Jobs Act, which was signed into law in November 2021, includes much-needed investments in our infrastructure that will impact every community in America. Thanks to the law, the Department's National Telecommunications and Information Administration has launched three major new programs in FY 2022, investing over $45 billion to promote internet access and adoption so that everyone in America has a chance to thrive in the modern economy. These programs are as follows:

- Broadband Equity, Access, and Deployment Program ($42.5 billion)
- Enabling Middle Mile Broadband Infrastructure Program ($1 billion); and
- State Digital Equity Act programs ($1.5 billion).

The Infrastructure Investment Jobs Act also established the Minority Business Development Agency (MBDA) as a permanent federal agency and created a presidentially appointed and Senate-confirmed Under Secretary of Commerce for Minority Business Development. MBDA is the only federal agency solely dedicated to the growth and global competitiveness of U.S. minority owned businesses. This permanent authorization will allow MBDA to expand its reach and scope and ensure minority business enterprises receive the support and resources they need to succeed in urban, rural, and tribal communities.

In August 2022, the CHIPS and Science Act of 2022 was signed into law. This act will invest $50 billion through the Department of Commerce's CHIPS for America Fund to revitalize the domestic semiconductor industry, protect American national and economic security, preserve U.S. leadership in the industries of the future, create good-paying jobs, and build strong communities across America. The Department launched CHIPS.gov in August 2022, which is an online resource to inform the implementation of the program. In FY 2023 and beyond, the Department will work to take the necessary steps to ensure that the CHIPS and Science Act initiatives will be a success, as this program will serve as a key investment in America's long-term economic and national security.

The enclosed report creates transparency on the sources and uses of the taxpayer funds that support these efforts. The American public deserves no less.

I am pleased to report that our financial management systems are in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996, applicable financial systems requirements, federal accounting standards, and the U.S. Standard General Ledger, all at the transaction level. In accordance with Office of Management and Budget (OMB) Circulars A-136 and A-11, the financial and performance data published in this report are substantially complete and reliable.

For the twenty-fourth year in a row, the independent auditors tasked with reviewing our financial statements have provided an unmodified opinion.

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) and OMB Circular A-123 provide the framework within which Departmental and operating unit managers may determine whether adequate internal controls are in place and operating as they should. We rely on a wide range of studies conducted by programmatic and administrative managers, the Office of Inspector General, the Government Accountability Office, and others to assist in this effort. Based on activities undertaken during FY 2022, the Department is able to provide an unmodified statement of assurance that its internal controls and financial management systems meet the objectives of the FMFIA. Additional detailed performance information and results will be released in the Annual Performance Report in February 2023.

I am proud of the work achieved by the Department and look forward to the path set forward for future success. As we continue to pursue the strategic goals of the Department, we will remain committed to being good stewards of taxpayer dollars, bringing the highest possible return on America's investment in Commerce Department programs. By amplifying America's greatest strengths—our unrivaled innovation, our diversity of talent and communities, and our resilience in the face of unprecedented challenges—we will outcompete everyone.

Gina M. Raimondo
Secretary of Commerce
November 10, 2022

How to Use This Report

This Agency Financial Report (AFR) for the fiscal year ended September 30 (FY) 2022 provides the Department of Commerce's financial and summary performance information in accordance with OMB Circular A-136, *Financial Reporting Requirements.*

The Department has chosen to produce an AFR. The Department will provide performance results in the FY 2024 Congressional Budget in conjunction with performance plan information as the "FY 2022 Annual Performance Report and FY 2024 Annual Performance Plan" for each bureau and will post it on the Department's website at *https://www.commerce.gov/about/budget-and-performance.*

The Department's annual AFR is available on the Department's website at *https://www.commerce.gov/ofm/publications/agency-financial-reports.* The Department welcomes feedback on the form and content of this report, and contact information for providing feedback is located in the Connect with the Department of Commerce section of this report.

This report is organized into the following major components:

Statement from the Secretary of Commerce (Unaudited)

The Secretary's statement includes an assessment of the reliability and completeness of the financial and summary performance information presented in the report and a statement of assurance on the Department's management controls as required by the Federal Managers' Financial Integrity Act (FMFIA).

Management's Discussion and Analysis (MD&A) (Unaudited)

This section provides an overview of the financial and summary-level performance information contained in the Performance Summary, Financial Section, and Other Information. The MD&A includes an overview of the summary of the strategic planning process and performance information, financial performance information to include the FY 2022 financial condition and results, as well as information on financial systems, controls, and legal compliance.

Financial Section

This section contains details of the Department's finances in FY 2022. A message from the Department's Chief Financial Officer (CFO) (unaudited) is followed by the independent auditors' report, audited financial statements and notes, and required supplementary information (unaudited).

Other Information (Unaudited)

This section provides the Office of Inspector General's (OIG) summary on top management and performance challenges, a summary of financial statement audit and management assurances, payment integrity information, a schedule of civil monetary penalties' adjustments for inflation, a summary of oversight of expired grant and cooperative agreement awards, and a summary of climate-related financial risk.

Appendix (Unaudited)

This section provides a glossary of acronyms, ways to connect with the Department of Commerce, acknowledgements, and Certificate of Excellence in Accountability Reporting information.

Management's Discussion and Analysis (Unaudited)

President Biden signs the U.S. CHIPS (Creating Helpful Incentives to Produce Semiconductors) and Science Act into law on August 9, 2022. He is flanked by Commerce Secretary Gina Raimondo, Speaker of the House Nancy Pelosi, Senate Majority Leader Chuck Schumer, among others. *Credit: Department of Commerce*

Mission and Organization

Mission

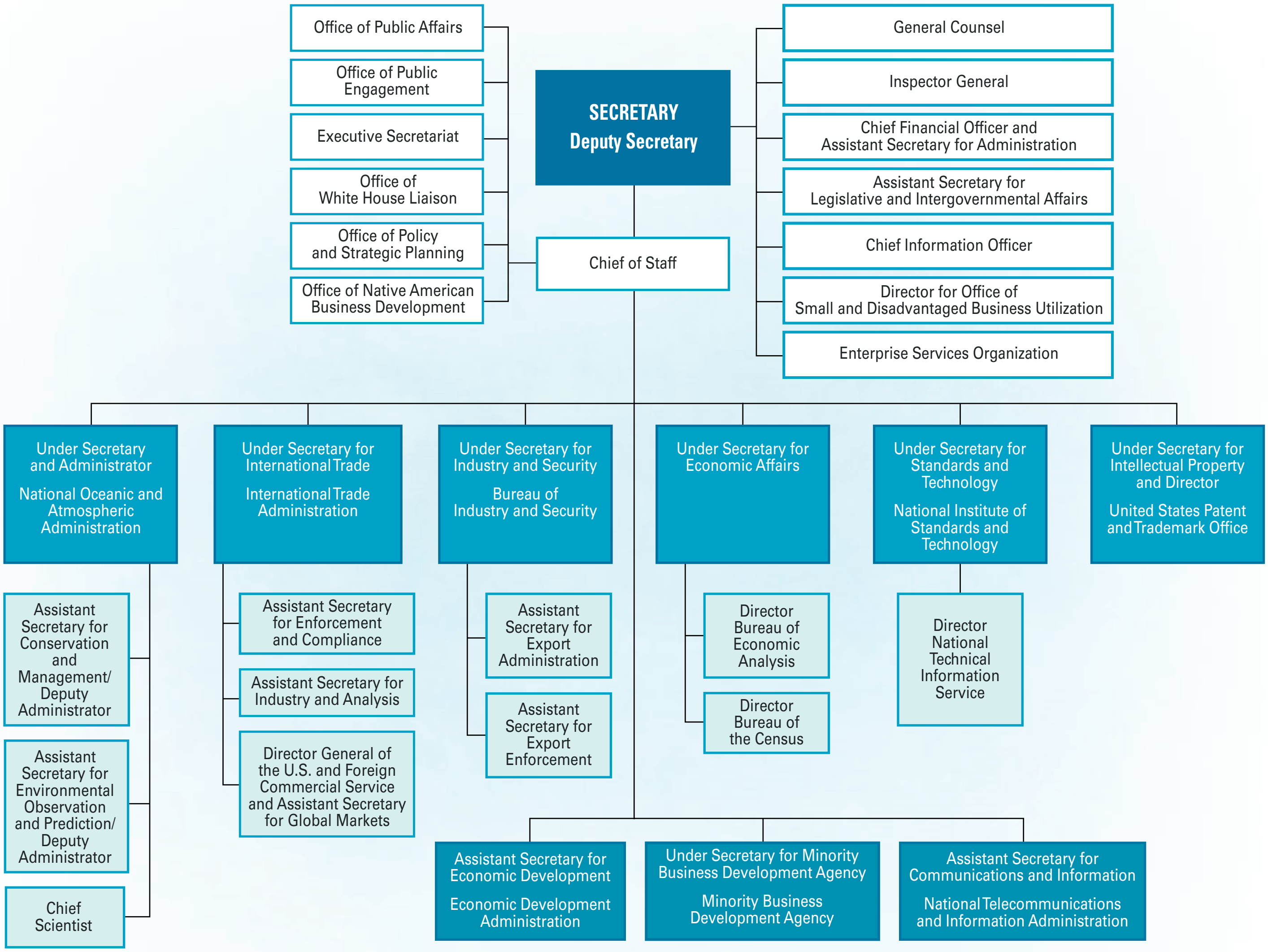
The Department of Commerce's mission is to create the conditions for economic growth and opportunity for all communities.

Organization

The Department's headquarters offices and component bureaus, listed below, implement over 225 budgeted programs and activities:

- Office of the Secretary (OS)
- Office of Inspector General (OIG)
- Bureau of Economic Analysis (BEA)
- Bureau of Industry and Security (BIS)
- Census Bureau (Census)
- Economic Development Administration (EDA)
- International Trade Administration (ITA)
- Minority Business Development Agency (MBDA)
- National Institute of Standards and Technology (NIST)
- National Oceanic and Atmospheric Administration (NOAA)
- National Technical Information Service (NTIS)
- National Telecommunications and Information Administration (NTIA)
- Office of the Undersecretary for Economic Affairs (OUSEA)
- U.S. Patent and Trademark Office (USPTO)

U.S. DEPARTMENT OF COMMERCE



Workforce

As of September 30, 2022, the Department had approximately 46,300 employees. The Department's workforce ranges from uniformed service officers in the NOAA Commissioned Officer Corps, diplomats who are Foreign Commercial Service Officers, badged law enforcement officers in BIS, patent examiners at USPTO, to a wide variety of other civil service employees who deliver critical services directly to U.S. businesses and the public.

History and Enabling Legislation

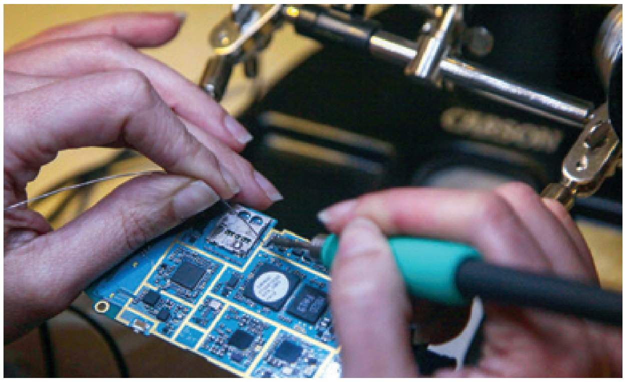
The Department was originally established by Congressional Act on February 14, 1903, as the Department of Commerce and Labor (32 Stat. 826; 5 U.S.C. 591). It was subsequently renamed the U.S. Department of Commerce by President William H. Taft on March 4, 1913 (15 U.S.C. 1512). The defined role of the new Department was "to foster, promote, and develop the foreign and domestic commerce, the mining, manufacturing, and fishery industries of the United States."

Locations

The Department is headquartered in Washington, D.C., at the Herbert Clark Hoover Building, 1401 Constitution Ave NW. The Department has field offices in every state and territory. The largest is the multibureau campus and laboratories in Boulder, CO. The Department also maintains trade offices in more than 86 countries.

Impact on the American Public

The Department of Commerce's mission is to create the conditions for economic growth and opportunity for all communities. Through its 13 bureaus, the Department works to drive U.S. economic competitiveness, strengthen domestic industry, and spur the growth of quality jobs in all communities across the country. The Department serves as the voice of business in the federal government, and at the same time, the Department touches and serves every American every day. The Department fosters the innovation and invention that underpin the U.S. comparative advantage. Its scientists research emerging technologies such as quantum computing and artificial intelligence (AI). Companies use NIST and NTIA laboratories to conduct research and development (R&D). NOAA advances R&D of the commercial space industry and climate science. USPTO's intellectual property (IP) protections ensure American innovators profit from their work.



A digital forensics expert prepares to extract data from a mobile phone. *Credit: NIST*

The Department helps lay the foundation for a strong manufacturing and industrial base comprised of world class businesses. NIST develops and disseminates standards that allow technology to work seamlessly and business to operate smoothly. NIST, MBDA, and ITA support firms as they grow—adopting new technologies or processes, entering new export markets for the first time, investing in the U.S. market for the first time, accessing capital, and training workers. EDA prepares regions and communities for greater economic development and greater economic resilience. NTIA is working to bring reliable high-speed internet to all homes and businesses.

The Department promotes trade and commercial agreements that bring new opportunity to U.S. businesses and maintain national security. The Department facilitates international collaboration to solve industrial challenges from supply chain resilience to decarbonization. ITA provides market research and networking opportunities that help American companies begin exporting their products and services. BIS enforces export controls that keep U.S. technology out of the wrong hands.

Recognizing the inextricable link between the economy and the environment, the Department will drive mitigation, adaptation, and resilience efforts that use bureau core competencies and support the President's whole-of-government approach to tackling the climate crisis. These efforts include acceleration of clean technology deployment, particularly through ITA's focus on clean technology exports; and providing actionable climate information and tools through NOAA's climate services.

The Department provides vast amounts of data to inform better decisions for business, government, and the public, making it "America's data agency." NOAA provides weather forecasts and climate models that help emergency managers keep Americans out of harm's way during extreme weather events. The Census Bureau delivers essential data on the U.S. population and economy, including the decennial census of people and households. BEA produces the national economic accounts, including gross domestic product (GDP). IP, trade, and scientific measurement data are among the other sets of information whose value the Department wants to maximize.

MANAGEMENT'S DISCUSSION AND ANALYSIS

STRATEGIC PLANNING AND PERFORMANCE

The Department of Commerce Process for Strategic Planning and Performance Reporting

Background on Strategic Planning and Required Monitoring

The Government Performance and Results Act (GPRA) and the Modernization Act of 2010 (GPRAMA) require federal agencies to publish a new strategic plan by the first Monday in February following the year in which the term of the President begins. Additionally, the Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act) complements GPRAMA through evaluation and evidence-building activities that answer priority questions that are relevant to the programs, policies, and regulations of the agency. These questions are included in the Department's Learning Agenda and Annual Evaluation Plan.

In February 2022, the Secretary of Commerce launched the Department's 2022 – 2026 Strategic Plan and FY 2022 Learning Agenda in accordance with GPRAMA and the policies and timetable established by the Office of Management and Budget (OMB).

Development of the Strategic Plan and Learning Agenda included collaboration across all bureaus and offices as well as key political and career leadership. The effort was led by the Office of the Secretary Performance Excellence Office and the Department Evaluation Office. The Strategic Plan includes new strategic goals and objectives, Agency Priority Goals, strategies, key performance indicators, and learning priorities in line with guidance from the Secretary, the Office of Strategic Planning and Policy, and the White House. The Learning Agenda identifies short and long-term strategic questions (i.e., questions about how, how well, and how should programs, policies, and regulations function) and operational questions (i.e., questions that inform or assess operations such as human resources, grant-making, and internal processes).

In the spring of 2022, the Department conducted the OMB-required Annual Strategic Review (ASR) of progress implementing the 2022 – 2026 Strategic Plan. The ASR findings were delivered to OMB in June. A summary of the ASR performance information, as of FY 2022, is included in this report.

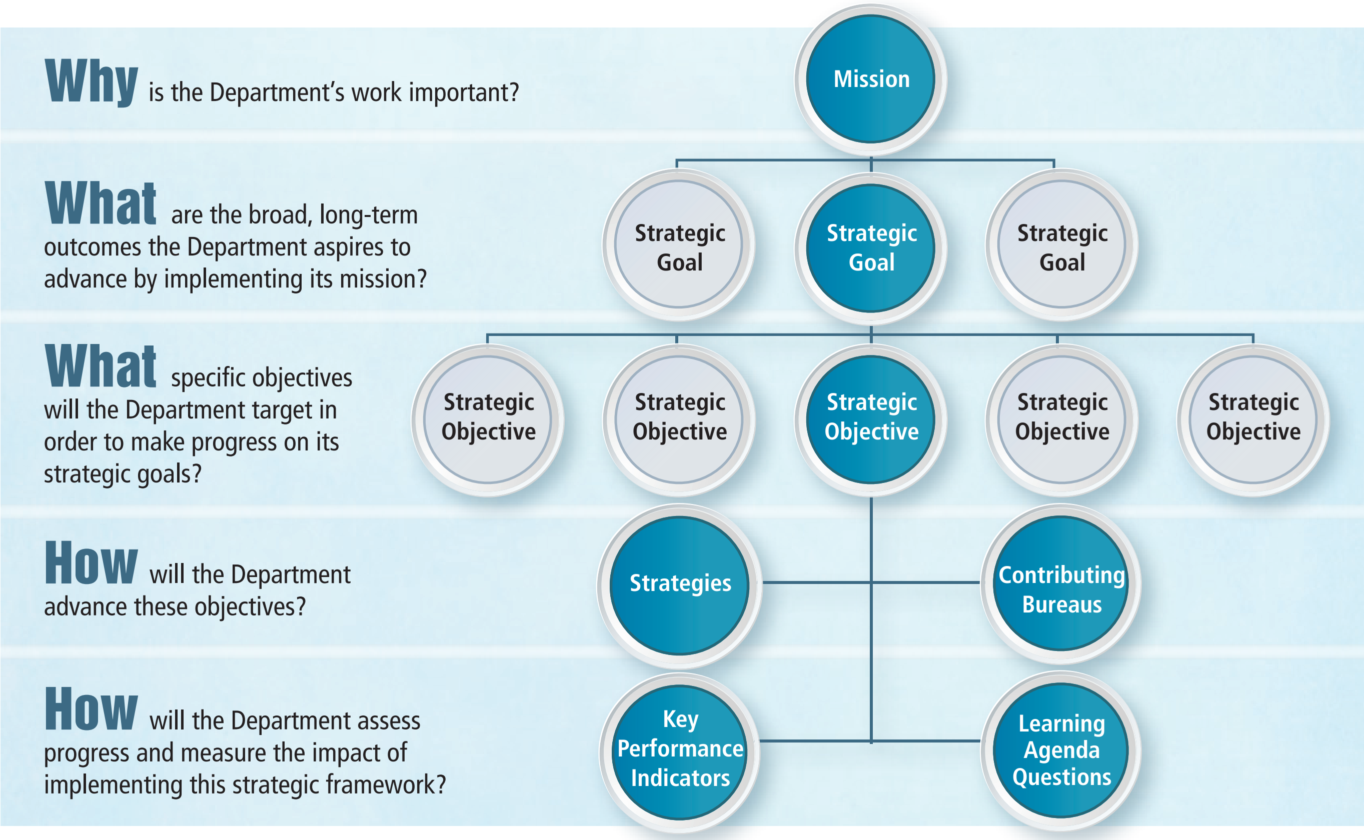
During the summer of 2022, the Department prepared the initial draft Annual Performance Plan and Report (APPR). This draft was submitted to OMB, for review, in September along with the Department's FY 2024 Budget Justification. However, this draft provided only partial information on key performance indicator results because FY 2022 was not yet completed. However, the draft APPR provided details on strategic objective milestones that were achieved and sets key performance indicator targets for the next two fiscal years. The final APPR will be published in February 2023. It will include the Department's complete organizational performance information as of September 30, 2022, and will be sent to Congress with the President's Budget.

Commerce Specific Plan Monitoring

Each spring, the Department's Deputy Secretary, in his role as Chief Operating Officer, conducts an internal ASR to assess progress on each of the Strategic Objectives listed in the Strategic Plan. The ASR process includes deliberations by multi-bureau Strategic Objective teams. These team meetings foster learning and inform revisions to strategies and key performance indicators. Upon completion of the internal ASR, the Deputy Secretary meets with OMB leadership to discuss Strategic Plan progress, risks, and opportunities based on data, key performance indicators, and milestones.

The Department uses a systems-based management framework that empowers every employee to participate in performance management. This framework aligns and integrates leadership, strategic planning, employee engagement, process management, business information, and customer input into feedback loops that produce continuous learning and improvement. The Department uses key performance indicators, Enterprise Risk Management, and program evaluation to increase evidence to support the Department's budget formulation and decision-making. This structure complies with guidance from OMB, the GPRAMA, and the Evidence Act.

The infographic below illustrates the structure of the Department's strategic plan and monitoring process.



Strategic Goals and Objectives

The Department of Commerce Strategic Plan is organized by Strategic Goals, Strategic Objectives, Strategies, and Key Performance Indicators. This strategic planning structure follows the standardized OMB **Federal Performance Framework** and is used to organize content in all federal agencies' APPRs.

The Strategic Goal areas are major elements of the Department's mission and mission-support functions. Strategic Goals typically include three to seven Strategic Objectives that state specific important outcomes the Department aims to achieve (e.g., increase international cooperation and commerce). Strategies are the approaches that will be used to achieve a strategic objective (e.g., increase U.S. Exports by broadening access to the Department's network, programs, and services for the U.S. small and medium-sized businesses with a focus on the Nation's underserved communities). Key Performance Indicators are measures of success (e.g., number of export clients assisted).

The following chart summarizes the strategic goals and objectives established in the Department's 2022 – 2026 Strategic Plan. The full plan is online at *https://www.commerce.gov/about/strategic-plan* and at *https://www.performance.gov/agencies/doc/*.

Strategic Goals	Strategic Objectives
Goal 1 – Drive U.S. Innovation and Global Competitiveness	1.1 – Revitalize U.S. manufacturing and strengthen domestic supply chains
	1.2 – Accelerate the development, commercialization, and deployment of critical and emerging technologies
	1.3 – Increase international cooperation and commerce
	1.4 – Protect national security interests and enforce trade rules
	1.5 – Promote accessible, strong, and effective intellectual property rights to advance innovation, creativity, and entrepreneurship
	1.6 – Improve the Nation's cybersecurity and protect federal government networks
	1.7 – Advance U.S. leadership in the global commercial space industry
Goal 2 – Foster Inclusive Capitalism and Equitable Economic Growth	2.1 – Drive equitable, resilient, place-based economic development and job growth
	2.2 – Build sustainable, employer-driven career pathways to meet employers' need for talent and to connect Americans to quality jobs
	2.3 – Advance entrepreneurship and high-growth small and medium-sized enterprises
	2.4 – Expand affordable, high-quality broadband to every American
Goal 3 – Address the Climate Crisis Through Mitigation, Adaptation, and Resilience Efforts	3.1 – Increase the impact of climate data and services for decisionmakers through enhanced service delivery and improved weather, water, and climate forecasts
	3.2 – Strengthen coastal resilience and advance conservation and restoration of lands and waters for current and future generations
	3.3 – Accelerate development and deployment of clean technologies
	3.4 – Embed climate considerations across Department programs
Goal 4 – Expand Opportunity and Discovery Through Data	4.1 – Implement evidence-based decision-making within the Department of Commerce to increase program and policy impact
	4.2 – Modernize economic and demographic statistics to better meet business, policymaker, and community needs
	4.3 – Improve Commerce data usability and advance ethical, responsible, and equitable data practices
Goal 5 – Provide 21st Century Service with 21st Century Capabilities	5.1 – Effectively implement new Department of Commerce authorities and investments
	5.2 – Optimize workforce and diversity, equity, and inclusion practices
	5.3 – Equitably deliver exceptional customer experience
	5.4 – Make Department facilities and operations more sustainable and efficient
	5.5 – Modernize mission support processes and infrastructure

Organizational Performance Overview

Advancing Performance Management for the Data-Driven Era

As a premier federal statistical agency, the Department of Commerce strives to lead the way to improve how data is made more easily accessible and useful for the American public. In 2019, marking the one-year anniversary of the Evidence Act, the Department launched Commerce Performance Data Pro, *https://performance.commerce.gov/*, a website that provides citizens an interactive online tool for learning more about the Department, its goals and objectives, and the progress it is making. This website is an excellent example of how the federal government is making performance data more easily accessible and useful for the American public.

Using Commerce Performance Data Pro, the American public can easily understand the progress the Department is making by exploring its ***Commerce Impact Stories*** and interacting with the ***Citizen's View Dashboards***, charts, key performance indicators (KPI), and featured datasets. Researchers, businesses, and interested citizens, will appreciate the website's engaging stories and data about the Department's programs that impact daily life. Users can interact with the Department's performance data, monitor its efforts to strengthen the U.S. economy, and learn more about efforts to improve many critical services.

The website provides citizens who are interested in the Department of Commerce and want information on its progress with the following capabilities:

- Featured ***Commerce Impact Stories*** about the Department's focus areas and new strategic initiatives
- ***Citizen's View Dashboards*** that summarize progress on the Department's strategic plan and show each bureau's performance
- Access to approximately 200 ***KPI Insights*** tiles that measure program results
- Ability to connect directly to datasets using an Application Programming Interface

The Department's Annual Performance Plan and Report (APPR) and the Annual Budget Submission to Congress that report detailed organizational performance information will be posted for the public in February 2023 on *www.performance.gov* and *www.commerce.gov/about/budget-and-performance*.

FY 2022 Performance Summary

The Department's Strategic Objectives are the primary unit for strategic analysis and decision-making. The Department's Performance Office provided a standard template to each Strategic Objective Lead's team to facilitate their analysis of progress and their designated status of the strategic objective in FY 2022. All assessments of **Noteworthy Progress**, **On Track**, or **Focus for Improvement** are supported by key performance indicators and/or milestones and integrate Enterprise Risk Management information to identify vulnerabilities and risks, mitigating actions, issues, and evidence related to the Strategic Objective.

Mission-focused Strategic Objective Leaders (i.e., Strategic Goals 1 – 4) convened their multi-bureau teams to analyze progress and reach consensus on the assessment. Mission support-focused Strategic Objective Leaders' (i.e., Strategic Goal 5) assessments included analysis of relevant President's Management Agenda actions and were assisted by meetings with the Department's Performance Excellence Office. The Department's Performance Excellence Office analyzed all information submitted by the Strategic Objective Leader, ensured the most recently available data was included, conducted follow up meetings as needed, and presented the progress assessment for the Chief Financial Officer/Assistant Secretary for Administration, Performance Improvement Officer, Evaluation Officer, and Deputy Secretary's consideration.

The FY 2022 performance results shared in the following tables assess broad organizational outcomes and minimize duplicative reporting with the APPR in accordance with the Statement of Federal Financial and Accounting Standards (SFFAS 15) and OMB Circular A-136.

For the latest and most detailed performance data by Strategic Objective, please visit the Commerce Performance Data Pro website at *https://performance.commerce.gov/*.

The tables below and on the following pages show the Department's FY 2022 progress, rating each Strategic Objective status as either: Noteworthy Progress; On Track; Focus Area for Improvement

Strategic Goal 1 – Drive U.S. Innovation and Global Competitiveness

The Department of Commerce has long focused on advancing U.S. innovation and competitiveness. To maintain its global technological leadership, the United States must innovate more and innovate faster than the rest of the world. When U.S. businesses innovate, they drive economic growth, create jobs, and help Americans lead better lives. It is increasingly clear that innovation, economic security, and national security are deeply connected, and all rely on a resilient domestic industrial base, an effective innovation ecosystem, and strategic global engagement. This means the United States must prioritize investments in its people, infrastructure, technology, and supply chains.

To advance innovation and competitiveness, the Department is strengthening production, supply chain resilience, and innovation at home; facilitating trade and collaboration abroad; defending U.S. businesses and communities against unfair trade practices; and engaging allies and partners to promote innovation, sustainability, and global security.

The following table shows the Strategic Objective performance assessments for Strategic Goal 1.

Strategic Objectives	FY 2022 Status
1.1 – Revitalize U.S. manufacturing and strengthen domestic supply chains	On Track
1.2 – Accelerate the development, commercialization, and deployment of critical and emerging technologies	On Track
1.3 – Increase international cooperation and commerce	Noteworthy Progress
1.4 – Protect national security interests and enforce trade rules	On Track
1.5 – Promote accessible, strong, and effective intellectual property rights to advance innovation, creativity, and entrepreneurship	On Track
1.6 – Improve the Nation's cybersecurity and protect federal government networks	On Track
1.7 – Advance U.S. leadership in the global commercial space industry	On Track

Commerce Secretary, Gina Raimondo announcing at the MED (Minority Enterprise Development) Week 2022 Conference that the Minority Business Development Administration (MBDA) is extending an award for $4.7 million in federal funding to strengthen and expand its national network of business centers. *Credit: Department of Commerce*

Strategic Goal 2 – Foster Inclusive Capitalism and Equitable Economic Growth

Global competitiveness and a healthy democracy require that all Americans have an opportunity to participate in the 21st century economy. The talents and strengths of the entire country must be harnessed, including women, people of color, and others who are too often left behind. Inclusive growth is good economics. The Nation will fail to meet its full potential if it does not invest in all communities, workers, inventors, and entrepreneurs.

Expanding opportunity for more Americans is central to the Department of Commerce's mission, and as the Nation continues to build back better, this mission is more critical than ever. The Department is promoting place-based growth, ensuring innovation in artificial intelligence (AI), robotics, quantum computing, and biotechnology, creating pathways to quality jobs, ensuring access to affordable, high-speed broadband internet and supporting American small and medium-sized businesses, women and minority-owned businesses, and entrepreneurs.

The following table shows the Strategic Objective performance assessments for Strategic Goal 2.

Strategic Objectives	FY 2022 Status
2.1 – Drive equitable, resilient, place-based economic development and job growth	On Track
2.2 – Build sustainable, employer-driven career pathways to meet employers' need for talent and to connect Americans to quality jobs	On Track
2.3 – Advance entrepreneurship and high-growth small and medium-sized enterprises	On Track
2.4 – Expand affordable, high-quality broadband to every American	On Track

Strategic Goal 3 – Address the Climate Crisis Through Mitigation, Adaptation, and Resilience Efforts

Every American family and community, as well as the entire U.S. economy, are susceptible to the effects of climate change. A narrow window of opportunity remains to create science-based and equitable solutions to avoid the most catastrophic impacts of climate change, while helping to create a clean energy economy. In 2021, a total of 20 weather and climate disasters cost the Nation a combined $145 billion in damages.

Addressing the climate crisis is an essential and existential component of the Department's mission to create the conditions for economic growth and opportunity. In support of the government-wide approach to tackle the climate crisis, the Department is accelerating clean technology development and deployment, providing actionable climate information and tools to decisionmakers, and providing support for vulnerable communities. These tools address climate-related risks in every sector of the economy, especially in the most vulnerable communities and populations.

The following table shows the Strategic Objective performance assessments for Strategic Goal 3.

Strategic Objectives	FY 2022 Status
3.1 – Increase the impact of climate data and services for decisionmakers through enhanced service delivery and improved weather, water, and climate forecasts	Noteworthy Progress
3.2 – Strengthen coastal resilience and advance conservation and restoration of lands and waters for current and future generations	On Track
3.3 – Accelerate development and deployment of clean technologies	On Track
3.4 – Embed climate considerations across Department programs	On Track

Strategic Goal 4 – Expand Opportunity and Discovery Through Data

Accurate, timely, and usable data are critical to the Department's mission to create the conditions for economic growth and opportunity for all communities. More than 30 million U.S. businesses and 325 million Americans rely on the Department's data products, which shape fiscal policy that affects economic growth. Each year, the federal government uses Department of Commerce data to inform how it distributes more than $1 trillion to states and municipalities. American communities, policymakers, and businesses need detailed, timely, and user-friendly data and statistics to navigate a changing economy. As America's top producer of public data, the Department of Commerce develops new economic indicators to track growth in emerging sectors.

To fulfill its mission, the Department is deploying data and evaluation to design and evaluate its own programs and policies; improving usability, accessibility, timeliness, and granularity of data disseminated to the public; ensuring ethical data practices; modernizing the Department's data ecosystems; and improving confidentiality and privacy.

The following table shows the Strategic Objective performance assessments for Strategic Goal 4.

Strategic Objectives	FY 2022 Status
4.1 – Implement evidence-based decision-making within the Department of Commerce to increase program and policy impact	Focus Area for Improvement
4.2 – Modernize economic and demographic statistics to better meet business, policymaker, and community needs	Noteworthy Progress
4.3 – Improve Commerce data usability and advance ethical, responsible, and equitable data practices	On Track

Strategic Goal 5 – Provide 21st Century Service with 21st Century Capabilities

The Department cannot meet its performance targets in Strategic Goals 1 through 4 without quality, timely human resources, information technology (IT), and acquisition services. Success also requires a workforce that is diverse, highly skilled, and passionate about delivering value to the American public. The President's Management Agenda directs federal agencies to optimize internal operations, infrastructure, workforce quality and equity, sustainability, and overall customer experience. These transformations depend on a strong organizational culture that is inclusive, learning, and customer-focused.

The Department is ensuring exceptional stewardship of taxpayer dollars, promoting data driven decision-making, reimagining the future of work, improving hiring timeliness and candidate quality, ensuring employees are trained and highly skilled, delivering exceptional customer experience, and implementing sustainable and efficient infrastructure and operations.

The following table shows the Strategic Objective performance assessments for Strategic Goal 5.

Strategic Objectives	FY 2022 Status
5.1 – Effectively implement new Department of Commerce authorities and investments	On Track
5.2 – Optimize workforce and diversity, equity, and inclusion practices	Focus Area for Improvement
5.3 – Equitably deliver exceptional customer experience	On Track
5.4 – Make Department facilities and operations more sustainable and efficient	On Track
5.5 – Modernize mission support processes and infrastructure	On Track

Agency Priority Goals

The GPRAMA requires agencies to establish Agency Priority Goals (APG). An APG is a near-term result or achievement that the Department wants to accomplish within approximately 24 months. APGs are limited in number and align to the Department's top near-term performance improvement priorities. The Department established the following priority goals for FY 2022 to FY 2023.

APG 1: Ensure all Americans have access to high-speed, affordable, and reliable broadband

Bureau: National Telecommunications and Information Administration (NTIA) (Jointly implemented with the U.S. Department of Agriculture)

By September 30, 2023, the Departments of Agriculture and Commerce will expand affordable and reliable access to broadband service by funding projects, which when completed, will provide at least 550,000 households with reliable and affordable access to high-quality internet service.

APG 2: Increase conservation of America's coastal land and waters

Bureau: National Oceanic and Atmospheric Administration (NOAA)

By September 30, 2023, in support of the America the Beautiful initiative, NOAA will advance formal designation or expansion processes to conserve at least 590,000 square miles of additional coastal and marine habitats as National Marine Sanctuaries or National Estuarine Research Reserves to help ensure that nationally significant resources continue to provide economic, social, and environmental benefits for future generations.

APG 3: Strengthen the global competitiveness of American businesses

Bureau: International Trade Administration (ITA)

By September 30, 2023, in support of expanding the global footprint of American small and medium-sized enterprises (SME) and enhancing its accessibility and assistance to businesses in underserved communities, ITA will accelerate its digital transformation to double the annual number of clients assisted from 38,000 in FY 2020 to 76,000 in FY 2023, with a particular focus on SMEs and the Nation's underserved communities.

Looking Forward

The Department of Commerce is committed to creating the conditions for economic growth and opportunity for all communities. The 2022 – 2026 Strategic Plan for the Department was released in February 2022 and sets out the priorities that have been established for the Department over the next several years. Additional information regarding the strategic plan and the five strategic goals is discussed in further detail in the *Department of Commerce Process for Strategic Planning and Performance Reporting* and *Organizational Performance Overview* sections of the MD&A portion of this report.

Challenges highlighted in Inspector General reports will be central to the Department's management plan in FY 2023 and beyond. The Department faces challenges in strengthening oversight to address cybersecurity weaknesses. Addressing these weaknesses will be key to protecting systems from attacks and other compromises that may pose risks to critical and sensitive data. The Department will work to improve the Department's capability to respond to emerging cyber threats and enhance the information technology security program and fulfill the President's executive order on improving the Nation's cybersecurity. The Department also will work to maintain continuity, manage risks, and leverage investments to improve satellite data, products, and services. Some tasks the Department will undertake to address satellite related priorities in FY 2023 and beyond include managing technical challenges with polar and geostationary satellites, planning, and implementing next generation satellite systems, addressing risks from frequency interference, initiating a space traffic management pilot program, and leveraging investments for cost-effective weather data and services to help increase resilience to climate change. The Department must also place sustained focus on its contract and grant awards as well as oversight of these awards to ensure that the funds are efficiently and effectively spent for their intended purpose. This includes ensuring programs approved for the State Small Business Credit Initiative funding comply with program requirements and developing and retaining a competent acquisitions workforce to support the Department's mission. Other challenges include enhancing capacity to enforce fair and secure trade and meeting intellectual property stakeholder needs in the midst of economic, technological, and legal changes, and the deployment of the Nationwide Public Safety Broadband Network which are inherently challenging and complex and will receive commensurate resources and disciplined program management oversight.

In August 2022, President Joe Biden signed into law the CHIPS (Creating Helpful Incentives to Produce Semiconductors) and Science Act of 2022. This is an important first step that provides the Department with $50 billion for a suite of programs to strengthen and revitalize the U.S. position in semiconductor research, development, and manufacturing—while also investing in American workers. In the coming years the Department will work to implement the CHIPS program. It will be important for the Department to balance urgent needs in the semiconductor industry with long-term strategic goals.

Additionally, the Department will continue actions in FY 2023 to establish a strong framework for designing the 2030 Census. In preparation for the 2030 Decennial Census lifecycle, the Census Bureau has already begun evaluating and assessing 2020 Census operations. This effort will be critically important in laying the groundwork for improving innovations used during the 2020 Census and ensuring that data collection is high quality, that advertising efforts increase response rates, and that proper candidates for federal employment are hired for the 2030 Decennial Census.

The Department remains committed to expanding internal Diversity, Equity, Inclusion, and Accessibility (DEIA) efforts across the Department. To lead the efforts, the Department established the Commerce Equity (DEIA) Council to develop and implement Commerce's DEIA Strategic Plan, FY 2022 – FY 2024 as required under Executive Order 14035, *Advancing DEIA in the Federal Workforce*. The Council is also responsible for completing and implementing Commerce's Equity Action Plan under Executive Order 13985, *Advancing Racial Equity and Outreach to Underserved Communities*. The work of the Council aligns with the Department's 2022 – 2026 Strategic Plan, as well as the Department's Learning Agenda.

The Office of Civil Rights and the Office of Human Resources Management are leading the implementation of DEIA at the Department in collaboration with the Equity (DEIA) Council and its Committees. In FY 2022, the Department created a Strategic Outreach and Recruitment (SOAR) Program with bureau representatives to establish a Departmental approach to SOAR in line with the DEIA Strategic Plan Goal 1: Create and Promote an Organizational Culture that is Diverse through enhanced Recruitment and Hiring Practices and will continue their work throughout FY 2023 and beyond. Some strategies of focus will be developing SOAR Plans; establishing SOAR partnerships with institutions and organizations, including those which focus on underserved communities; enhancing SOAR marketing of employment opportunities to individuals from underserved communities; and participating in recruitment events that target individuals from underserved communities.

Implementation of the Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act) will continue to be a priority in FY 2023 and beyond. In FY 2022, the Department published the first ever Learning Agenda in conjunction with the release of the 2022 – 2026 Strategic Plan. Going forward, the Learning Agenda will be revised annually to make updates and revisions based on events, White House direction, and findings from the ongoing research that may require a change in priorities. Data governance will be more structured to maximize the utility of Department data to both the public and private sector while maintaining privacy protections.

Climate Change

In FY 2022, the Department of Commerce provided the White House Council on Environmental Quality a Progress Report to its 2021 Climate Action Plan for Adaptation and Resilience, developed in accordance with Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*. The Progress Report details the Department's work toward the five priority actions identified in the 2021 Plan to enhance climate adaptation and resilience and integrate equitable climate considerations into aspects of the Department's missions, policies, operations, facility management, real property, acquisitions, and use of resources, using the best available science and information. The Progress Report was signed by the Secretary of Commerce in July and was made publicly available on October 6, 2022. Addressing climate change is a key consideration in the Department's 2022 – 2026 Strategic Plan. The plan features an entire strategic goal focused on the climate; *Address the Climate Crisis through mitigation, adaptation, and resilience efforts*, and a separate strategic objective to make the Department's facilities and operations more sustainable and efficient. One key performance indicator to meet the strategic objective to 'Make Department facilities and operations more sustainable and efficient' includes measuring annual investment in sustainable and climate-resilient design measures, energy and water efficiencies, and/or use of clean energy, which is reported annually to the Department of Energy and aggregated in a report to Congress. The current challenge in this measurement is differentiating sustainable investments and capturing both smaller scale investments outside of major contracts.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

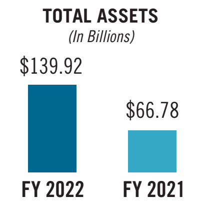
FINANCIAL PERFORMANCE

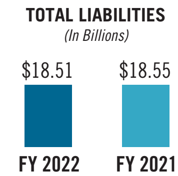
Senior government officials from Mexico and the United States, including Commerce Secretary Gina Raimondo, met in Mexico City to convene the second annual meeting of the High-Level Economic Dialogue. The dialogue provides a platform for the United States and Mexico to leverage their strong economic integration to foster regional prosperity, expand job creation, promote investment in our people, and reduce inequality and poverty.
Credit: Department of Commerce

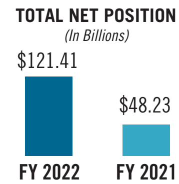
Analysis of FY 2022 Financial Condition and Results

Financial Highlights

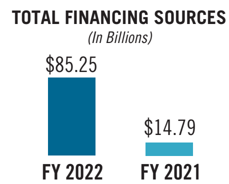
(Dollars in Thousands)	FY 2022	FY 2021	Percentage Change
Condensed Balance Sheets:			
As of September 30, 2022 and 2021			
ASSETS:			
Fund Balance with Treasury	$117,920,185	$ 32,530,613	262%
Investments, Net	–	12,156,733	(100%)
Loans Receivable, Net	372,259	374,568	(1%)
General Property, Plant, and Equipment, Net	15,452,737	15,906,966	(3%)
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network, Net	5,727,385	5,343,646	7%
Other	444,570	465,649	(5%)
TOTAL ASSETS	**$139,917,136**	**$ 66,778,175**	**110%**
LIABILITIES:			
Accounts Payable	$ 926,624	$ 1,430,071	(35%)
Debt	372,482	387,088	(4%)
Advances from Others and Deferred Revenue	2,086,596	1,935,290	8%
Liability to General Fund of the U.S. Government for Deficit Reduction	12,186,661	12,156,733	0.2%
Federal Employee Benefits Payable	1,688,076	1,574,542	7%
Accrued Funded Payroll and Leave	344,133	321,998	7%
Accrued Grant Liabilities	352,658	237,343	49%
Other	548,265	505,561	8%
TOTAL LIABILITIES	**$ 18,505,495**	**$ 18,548,626**	**(0.2%)**
NET POSITION:			
Unexpended Appropriations	$ 90,083,922	$ 16,315,922	452%
Cumulative Results of Operations	31,327,719	31,913,627	(2%)
TOTAL NET POSITION	**$121,411,641**	**$ 48,229,549**	**152%**
TOTAL LIABILITIES AND NET POSITION	**$139,917,136**	**$ 66,778,175**	**110%**







	FY 2022	FY 2021	Percentage Change
Condensed Financing Sources:			
For the Years Ended September 30, 2022 and 2021			
Appropriations Received	$ 84,614,820	$ 14,042,906	503%
Transfer In of Auction Proceeds from Federal Communications Commission	–	4,476,093	(100%)
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	(29,928)	(4,485,671)	(99%)
Other	660,333	756,267	(13%)
TOTAL FINANCING SOURCES	**$ 85,245,225**	**$ 14,789,595**	**476%**



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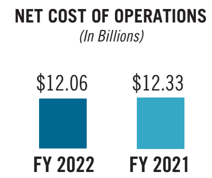
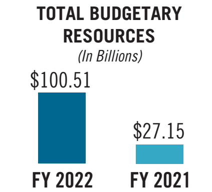
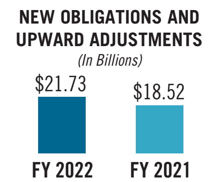
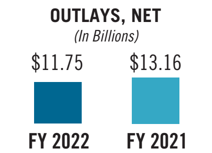
(Dollars in Thousands)	FY 2022	FY 2021	Percentage Change
Condensed Statements of Net Cost:			
For the Years Ended September 30, 2022 and 2021			
Gross Departmental Costs	$ 17,066,598	$ 16,705,097	2%
Less: Total Earned Revenue	(5,003,465)	(4,375,647)	14%
NET COST OF OPERATIONS	**$ 12,063,133**	**$ 12,329,450**	**(2%)**
Selected Budgetary Information:			
For the Years Ended September 30, 2022 and 2021			
TOTAL BUDGETARY RESOURCES:			
Unobligated Balance From Prior Year Budget Authority, Net	$ 9,271,838	$ 6,954,600	33%
Appropriations	84,872,274	14,321,262	493%
Borrowing Authority	29,782	95,757	(69%)
Spending Authority from Offsetting Collections	6,338,495	5,774,824	10%
TOTAL BUDGETARY RESOURCES	**$ 100,512,389**	**$ 27,146,443**	**270%**
New Obligations and Upward Adjustments	**$ 21,733,610**	**$ 18,523,440**	**17%**
Outlays, Net	**$ 11,752,756**	**$ 13,157,089**	**(11%)**









Composition of Assets and Assets by Responsibility Segment

The composition (by percentage) of the Department's assets significantly changed from September 30, 2021 to September 30, 2022, while the distribution by responsibility segment changed somewhat.

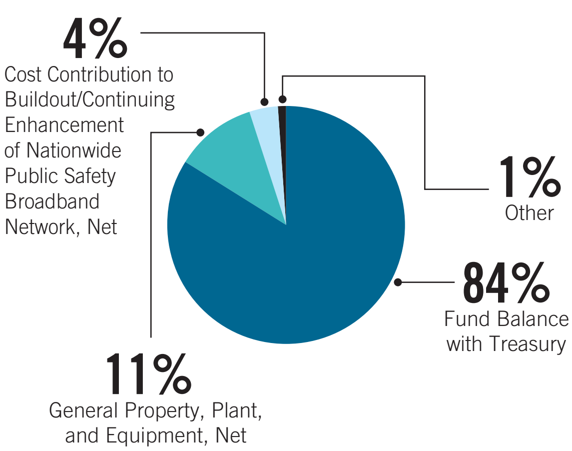
Departmental assets amounted to $139.92 billion as of September 30, 2022.

- **$117.92 billion of Fund Balance with the U.S. Department of the Treasury** (Treasury) is the aggregate amount of funds available to make authorized expenditures and pay liabilities. Fund Balance with Treasury increased from 48 percent of the Departmental total to 84 percent; see the *Trends in Assets* section for explanation of the increase in Fund Balance with Treasury.

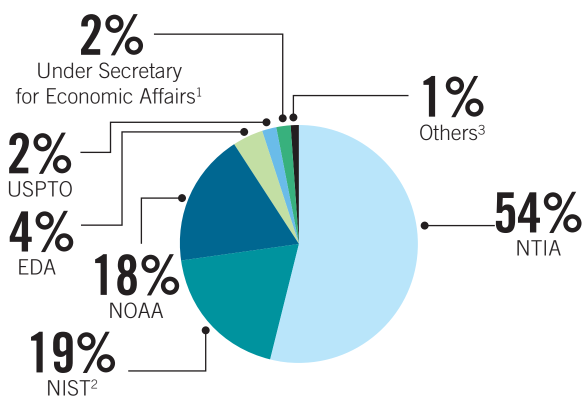
  Furthermore, as a result of the large NTIA and NIST increases in Fund Balance with Treasury as discussed in the *Trends in Assets* section, NTIA's portion of the Department's total assets as of September 30, 2022 increased from 45 percent to 54 percent, and NIST's portion increased from 4 percent to 19 percent.

- **$372.3 million of Loans Receivable, Net of Allowances for Subsidy Cost (Present Value) and Allowances for Loan Losses**, relating to the National Oceanic and Atmospheric Administration's (NOAA) loan programs with the public.
- **$15.45 billion of General Property, Plant, and Equipment** (PP&E), Net of Accumulated Depreciation (Cost of $29.85 billion less Accumulated Depreciation of $14.40 billion), and includes $5.46 billion of Satellites/Weather Systems Personal Property; $7.20 billion of Construction-in-progress, primarily for satellites and weather measuring and monitoring systems; $1.63 billion of Structures, Facilities, and Leasehold Improvements; and $1.17 billion of other General PP&E
- **$5.73 billion of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network (NPSBN), Net of Accumulated Amortization** (Cost Contributions of $6.45 billion less Accumulated Amortization of $724.9 million) captures NTIA's cumulative cost contributions, net of accumulated amortization, toward the buildout and continuing enhancement of the NPSBN under the First Responder Network Authority's contract with AT&T to build, deploy, operate, and maintain the NPSBN. Cost contributions for continuing enhancement to the NPSBN began in FY 2020, and amortization of such cost contributions began in FY 2021.
- **$444.6 million of Other Assets** primarily includes Advances and Prepayments of $157.9 million; Accounts Receivable, Net of Allowance for Uncollectible Accounts of $135.0 million primarily with other federal entities; and Inventory and Related Property, Net of Allowance for Excess, Obsolete, and Unserviceable Items of $128.8 million.

COMPOSITION OF THE DEPARTMENT'S ASSETS AS OF SEPTEMBER 30, 2022



ASSETS BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2022



1 The bureaus that fall under the Under Secretary for Economic Affairs are the Bureau of Economic Analysis (BEA) and the Census Bureau.

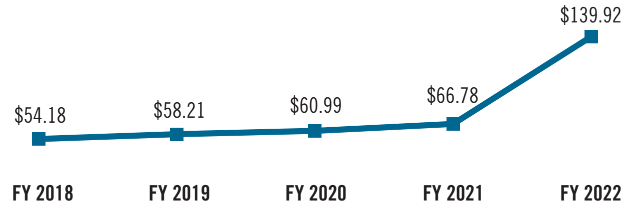
2 NIST includes the National Institute of Standards and Technology (NIST) and the National Technical Information Service (NTIS).

3 Others includes the Bureau of Industry and Security (BIS), Departmental Management (DM), the International Trade Administration (ITA), the Minority Business Development Agency (MBDA), and Intra-Departmental Eliminations.

Trends in Assets

Departmental assets significantly increased $73.14 billion, or 110 percent, from $66.78 billion as of September 30, 2021 to $139.92 billion as of September 30, 2022.

TRENDS IN TOTAL ASSETS AS OF SEPTEMBER 30 *(In Billions)*



Fund Balance with Treasury significantly increased $85.39 billion, from $32.53 billion to $117.92 billion, primarily due:

- New appropriations of $42.45 billion received in FY 2022 in NTIA's Broadband Equity, Access, and Deployment Program fund group under the *Infrastructure Investment and Jobs Act*, to remain available until expended, for grants as authorized under Section 60102, *Grants for Broadband Deployment*, of Division F of this Act.

- New appropriations of $24.00 billion received in FY 2022 in NIST's Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund under the *CHIPS and Science Act of 2022*, to remain available until expended, of which $19.00 billion shall be for Section 9902, *Semiconductor Incentives, of William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021* (Public Law 116-283) and $5.00 billion shall be for certain subsections, as specified in Section 9906, *Advanced Microelectronics Research and Development* of Public Law 116-283. Appropriations made available for FY 2022 include up to $6.00 billion for the cost of direct loans and loan guarantees under Public Law 116-283, Section 9902. Principal amount of direct loans and total loan principal, any part of which is to be guaranteed, shall not exceed $75.00 billion. Additional appropriations of $26.00 billion will also be received in FY 2023 through FY 2026.

- Fund Balance with Treasury for the NTIA Public Safety Trust Fund as of September 30, 2022 includes proceeds of $12.19 billion from the Fund's investments in federal securities that matured in September 2022. Whereas as of September 30, 2021, Investments, Net for the Fund amounted to $12.16 billion while Fund Balance with Treasury for the Fund was only $12.8 million.

Investments, Net of NTIA's Public Safety Trust Fund decreased to zero from $12.16 billion due to the maturity in September 2022 of the NTIA Public Safety Trust Fund's investments in federal securities, in preparation for depositing amounts remaining in the Fund after the end of FY 2022 into the General Fund of the U.S. government for deficit reduction as required by Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012. The proceeds of $12.19 billion are included in the Fund Balance with Treasury asset as of September 30, 2022. Investments, Net as of September 30, 2021 consisted of non-marketable, market-based Treasury bills invested by NTIA, resulting primarily from transfers in of auction proceeds from the Federal Communications Commission (FCC) during FY 2021, FY 2019, and FY 2018, and also resulting from interest earned on investments that was reinvested. Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 specified that amounts in the Public Safety Trust Fund be invested in accordance with 31 U.S.C. Section 9702.

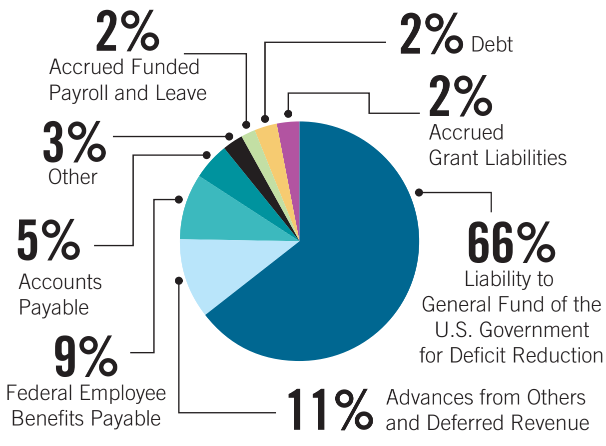
Composition of Liabilities and Liabilities by Responsibility Segment

The composition (by percentage) and distribution (by responsibility segment) of the Department's liabilities remained consistent from September 30, 2021 to September 30, 2022.

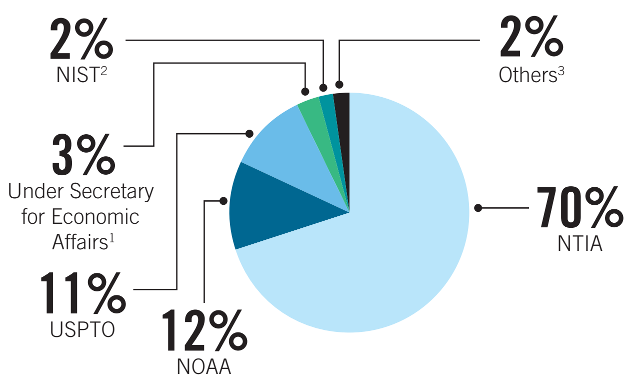
Liabilities of the Department amounted to $18.51 billion as of September 30, 2022.

- **$926.6 million of Accounts Payable** consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due, largely owed to the public.
- **$372.5 million of Debt** represents borrowings from the U.S. Treasury for NOAA's direct loan programs with the public.
- **$2.09 billion of Advances from Others and Deferred Revenue** primarily includes the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department. The Departmental total primarily includes $1.39 billion of the U.S. Patent and Trademark Office's (USPTO) advances from non-federal customers for patent and trademark application and user fees that are pending action by USPTO and also includes $281.4 million of the Census Bureau's unearned portions of advances received for customer orders, primarily from other federal entities.
- **$12.19 billion of NTIA Public Safety Trust Fund's Liability to General Fund of the U.S. Government for Deficit Reduction**—Priority 8 of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 specifies that any remaining funds deposited in NTIA's Public Safety Trust Fund be deposited in the General Fund of the U.S. government for deficit reduction after the end of FY 2022.
- **$1.69 billion of Federal Employee Benefits Payable** is comprised primarily of the actuarial present value of projected benefits for the NOAA Corps Retirement System and NOAA Corps Blended Retirement System of $988.8 million and for the NOAA Corps Post-retirement Health Benefits of $51.1 million; the Department's Unfunded Leave liability of $413.0 million; the Department's Actuarial Federal Employees' Compensation Act (FECA) Liability of $144.4 million, which represents the actuarial liability for future workers' compensation benefits; and Other Unfunded Employment-related Liability of $85.1 million.

COMPOSITION OF THE DEPARTMENT'S LIABILITIES AS OF SEPTEMBER 30, 2022



LIABILITIES BY RESPONSIBILITY SEGMENT AS OF SEPTEMBER 30, 2022



1 The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.

2 NIST includes NIST and NTIS.

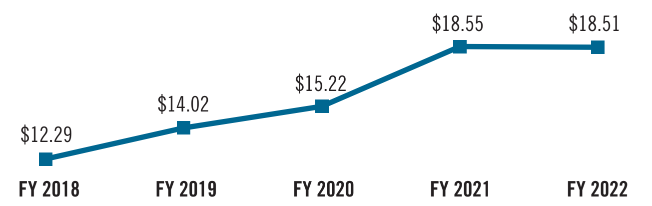
3 Others includes BIS, DM, EDA, ITA, MBDA, and Intra-Departmental Eliminations.

- **$344.1 million of Accrued Funded Payroll and Leave** liability to employees includes funded salaries, wages, annual leave, and other leave that have been earned but are unpaid as of September 30, 2022.
- **$352.7 million of Accrued Grant Liabilities** relates to a diverse array of financial assistance programs and projects, including the Economic Development Administration's (EDA) accrued grants of $212.2 million for its grant investments that help communities generate jobs, retain existing jobs, and stimulate industrial and commercial growth; NOAA's accrued grants of $79.2 million for grants awarded to state and local governments, non-profit research institutions, and colleges and universities for research and conservation initiatives; and the National Institute of Standards and Technology's (NIST) accrued grants of $53.4 million for its grant investments and cooperative agreements that fund programs in a variety of fields such as energy, food safety, electronics research, strategic manufacturing technology, and the Hollings Manufacturing Extension Partnership.
- **$548.3 million of Other Liabilities** primarily includes Environmental and Disposal Liabilities of $152.5 million, including $69.8 million for a nuclear reactor operated by NIST and $69.5 million for asbestos-related cleanup costs; Liability For Non-Fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts of $144.1 million, which primarily includes USPTO collections from customers held in a non-fiduciary deposit fund for when the customer has not yet requested a service; and Employer Contributions and Payroll Taxes Payable of $102.7 million that are payable to other federal entities.

Trends in Liabilities

Liabilities of the Department decreased slightly by $43.1 million, or 2 percent, from $18.55 billion as of September 30, 2021 to $18.51 billion as of September 30, 2022.

TRENDS IN TOTAL LIABILITIES AS OF SEPTEMBER 30 *(In Billions)*



Composition of and Trends in Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

Total Net Position significantly increased $73.18 billion, or 152 percent, from $48.23 billion as of September 30, 2021 to $121.41 billion as of September 30, 2022.

Unexpended Appropriations significantly increased $73.77 billion, from $16.32 billion as of September 30, 2021 to $90.08 billion as of September 30, 2022, primarily due to:

- Unexpended Appropriations for NTIA's Broadband Equity, Access, and Deployment Program new fund group of $42.40 billion resulting from new appropriations of $42.45 billion received in FY 2022 as previously discussed in the *Trends in Assets* section.
- Unexpended Appropriations for NIST's Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund (new fund group) of $18.99 billion resulting from new appropriations of $24.00 billion received in FY 2022 as previously discussed in the *Trends in Assets* section.

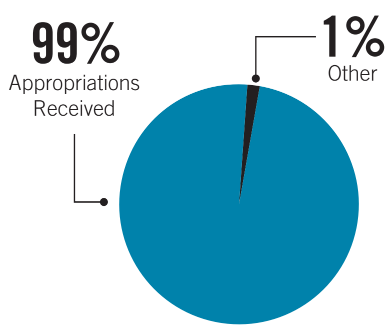
Composition of and Trends in Financing Sources

The composition (by percentage) of the Department's financing sources, as reported in the *Department's Consolidated Statements of Changes in Net Position*, significantly changed from FY 2021 to FY 2022 due to trends in individual financing source items discussed in this section.

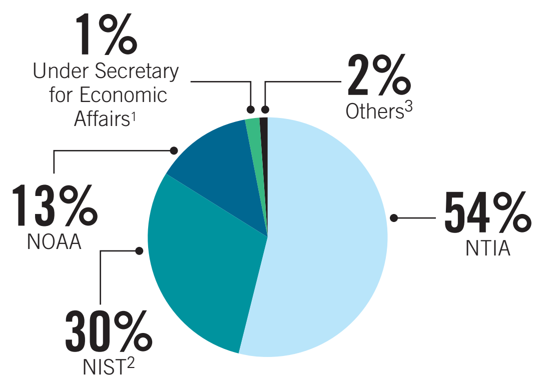
- **Appropriations Received** increased from 95 percent of the Department's total financing sources to 99 percent, primarily due to new NTIA and NIST appropriations of $42.45 billion and $24.00 billion received in FY 2022, respectively, as previously discussed in the *Trends in Assets* section.

  Furthermore, as a result of the large increases in Appropriations Received discussed above, NTIA's portion of the Departmental total for FY 2022 financing sources increased from 11 percent to 54 percent, and NIST's portion increased from 8 percent to 30 percent.
- **Transfer In of Auction Proceeds from FCC** decreased from 30 percent of the Departmental total to zero percent due to the transfers of $4.48 billion in FY 2021 from FCC to NTIA's Public Safety Trust Fund representing auction proceeds that depend on applicable FCC auction activity and results; whereas there were not any transfers received in FY 2022.

COMPOSITION OF THE DEPARTMENT'S FY 2022 FINANCING SOURCES



FY 2022 FINANCING SOURCES BY RESPONSIBILITY SEGMENT



1 The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.

2 NIST includes NIST and NTIS.

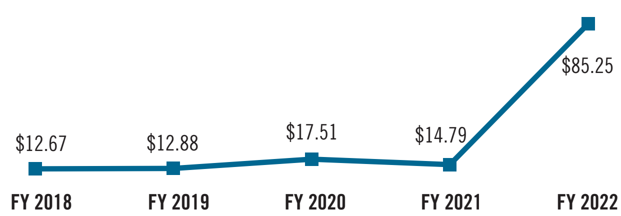
3 Others includes BIS, DM, EDA, ITA, MBDA, and USPTO.

- **Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction** similarly decreased from negative 30 percent of the Departmental total to zero percent as a result of the $4.48 billion decrease in auction proceeds transferred in from FCC to NTIA's Public Safety Trust Fund as discussed above.

The distribution by responsibility segment (by percentage) of the Department's Total Financing Sources changed significantly from FY 2021 to FY 2022, as previously described in the *Composition of and Trends in Net Position* section.

Total financing sources of the Department significantly increased $70.46 billion, from $14.79 billion in FY 2021 to $85.25 billion in FY 2022.

TRENDS IN TOTAL FINANCING SOURCES *(In Billions)*



Significant line item increases or decreases in Departmental financing sources from FY 2021 to FY 2022 include:

- Appropriations Received significantly increased $70.57 billion, from $14.04 billion in FY 2021 to $84.61 billion in FY 2022, primarily due to new NTIA and NIST appropriations received in FY 2022 of $42.45 billion and $24.00 billion, respectively, as previously discussed in the *Trends in Assets* section.

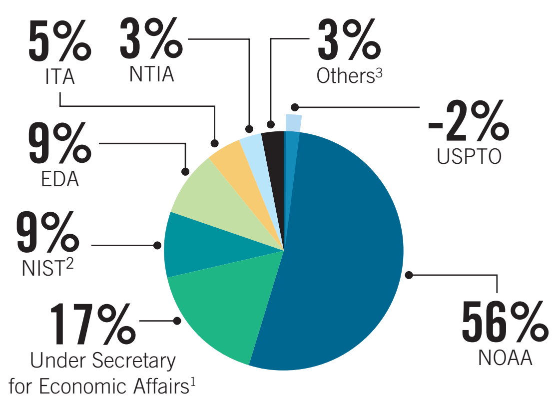
Composition of FY 2022 Net Cost of Operations and Net Cost of operations by Responsibility Segment

In FY 2022, the Department's Net Cost of Operations amounted to $12.06 billion, which consists of Gross Costs of $17.07 billion less Earned Revenue of $5.00 billion.

The distribution by responsibility segment (by percentage) of the Department's Net Cost of Operations remained consistent from FY 2021 to FY 2022.

Note: The FY 2022 Net Cost of Operations by Responsibility Segment pie chart and the Gross Costs and Earned Revenue amounts presented in the following paragraphs include transactions with other Departmental entities (intra-Departmental transactions), in order to communicate the full scope of each organization's Gross Costs and Earned Revenue amounts. As a result, the amounts discussed on the following page may not agree with the amounts presented on the Department's *FY 2022 Consolidated Statement of Net Cost,* which excludes intra-Departmental transactions.

FY 2022 NET COST OF OPERATIONS BY RESPONSIBILITY SEGMENT



1 The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.

2 NIST includes NIST and NTIS.

3 Others includes BIS, DM, and MBDA.

- **NOAA's FY 2022 Net Cost of Operations** was $6.73 billion (Gross Costs of $7.01 billion less Earned Revenue of $280.5 million). NOAA's mission relates to science, service, and stewardship—to understand and predict changes in climate, weather, oceans, and coasts; to share that knowledge and information with others; and to conserve and manage coastal and marine ecosystems and resources. NOAA's Gross Costs include costs related to improving weather, water quality, and climate reporting and forecasting; and enabling informed decision- making through an expanded understanding of the U.S. economy, society, and environment by providing data, standards, and services. By setting the broad Administration goals of promoting national security, public safety, economic growth, and job creation, NOAA provides the observational infrastructure, capabilities, and staff to produce timely and accurate weather forecasts and warnings; recapitalizes the NOAA fleet to ensure the continued collection of at-sea data vital to the US economy for fisheries management and nautical charting; supports the government's legal obligations to manage and conserve marine resources; and fosters safe and efficient ocean and coastal navigation.
    - *https://www.noaa.gov/about-our-agency*

- **USPTO's FY 2022 Net Surplus of Operations** of $214.3 million (Gross Costs of $3.73 billion less Earned Revenue of $3.95 billion) relates to its patents and trademark programs. USPTO is the federal agency responsible for granting U.S. patents and registering trademarks. The strength and vitality of the U.S. economy depends directly on effective mechanisms that protect new ideas and investments in innovation and creativity. USPTO advises the President, the Secretary of Commerce, and federal agencies on intellectual property (IP) policy, protection, and enforcement; and promotes the stronger and more effective IP protection around the world. USPTO furthers effective IP protection for the Nation's innovators and entrepreneurs worldwide by working with other federal agencies to secure strong IP provisions in free trade and other international agreements. It also provides training, education, and capacity-building programs designed to foster respect for IP and encourage the development of strong IP enforcement regimes by the Nation's trading partners.
    - *https://www.uspto.gov/about-us*

- The **Under Secretary for Economic Affairs FY 2022 Net Cost of Operations** was $2.06 billion (Gross Costs of $2.42 billion less Earned Revenue of $358.8 million), which includes BEA and the Census Bureau. The Under Secretary for Economic Affairs provides leadership and policy guidance to the Department's economic and statistical community, including oversight to BEA and the Census Bureau.
    - *https://www.commerce.gov/bureaus-and-offices/ousea*

  BEA promotes a better understanding of the Nation's economy by providing timely, relevant, and accurate economic accounts data in an objective and cost-effective manner.
    - *https://www.bea.gov/about/who-we-are*

  The **Census Bureau's FY 2022 Net Cost of Operations** was $1.94 billion (Gross Costs of $2.30 billion less Earned Revenue of $355.6 million). The Census Bureau serves as the leading source of quality data about the Nation's people and economy. Data that the Census Bureau collects includes the Population and Housing Census (every 10 years), Economic Census (every 5 years), Census of Governments (every 5 years), American Community Survey (annually), economic indicators, and demographic and economic surveys provided to survey sponsors.
    - *https://www.census.gov/about/what.html*

- **NIST's FY 2022 Net Cost of Operations** was $1.14 billion (Gross Costs of $1.37 billion less Earned Revenue of $237.6 million), which includes NIST and the National Technical Information Service (NTIS), as NIST provides oversight for NTIS.

  NIST's FY 2022 Net Cost of Operations, by itself, was $1.13 billion (Gross Costs of $1.32 billion less Earned Revenue of $183.3 million). NIST promotes American innovation and industrial competitiveness by advancing measurement science, standards, and technology in ways that enhance economic security and improve the Nation's quality of life. NIST's Gross Costs include costs for Scientific and Technical Research and Services, Industrial Technology Services, and Construction of Research Facilities. The NIST Laboratories conducts world-class research, often in close collaboration with industry, which advances the Nation's technology infrastructure and helps American companies continually improve products and services.

  - *https://www.nist.gov/about-nist/our-organization/mission-vision-values*

  NTIS serves as the largest central resource for government-funded scientific, technical, engineering, and business-related information by housing more than three million publications. NTIS's new mission is to provide innovative data services to federal agencies through joint venture partnerships with the private sector, advance federal data priorities, promote economic growth, and enable operational excellence.

  - *https://www.ntis.gov/about/about-us.xhtml*

- The **International Trade Administration's (ITA) FY 2022 Net Cost of Operations** was $543.0 million (Gross Costs of $574.6 million less Earned Revenue of $31.6 million).

  - *https://www.trade.gov/about-us*

- **EDA's FY 2022 Net Cost of Operations** was $1.05 billion (Gross Costs of $1.06 billion less Earned Revenue of $12.1 million). EDA leads the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. EDA plays a critical role in fostering regional economic development efforts in communities across the United States. Through strategic investments that foster job creation and attract private investment, EDA supports development in economically distressed areas of the United States. EDA works directly with local economic development officials to make grant investments that are well-defined, timely, and linked to a long-term, sustainable economic development strategy.

  - *https://www.eda.gov/about/*

- **NTIA's FY 2022 Net Cost of Operations** was $375.4 million (Gross Costs of $544.0 million less Earned Revenue of $168.6 million). NTIA is the federal agency that is principally responsible for advising the President on telecommunications and information policy issues. NTIA's programs and policymaking focus largely on expanding broadband internet access and adoption in America, expanding the use of spectrum by all users, and ensuring that the internet remains an engine for continued innovation and economic growth. NTIA's activities include managing the federal use of spectrum and identifying additional spectrum for commercial use and administering grant programs that further the deployment and use of broadband and other technologies in America.

  NTIA includes the First Responder Network Authority, an independent authority, which was created by the Middle Class Tax Relief and Job Creation Act of 2012 to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

  - *https://www.ntia.doc.gov/about*
  - *https://firstnet.gov/about/*

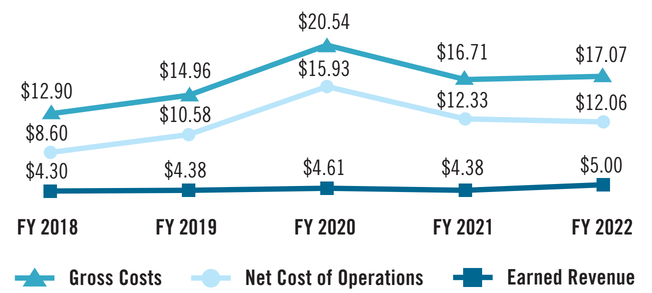
- **Departmental Management's (DM) FY 2022 Net Cost of Operations** was $177.9 million (Gross Costs of $562.1 million less Earned Revenue of $384.2 million), which includes Gifts and Bequests, Herbert C. Hoover Building Renovation Project, Nonrecurring Expenses Fund, Office of Inspector General, Salaries and Expenses, and Working Capital Fund. DM's objective is to develop and provide policies and procedures for administrative planning, oversight, coordination, direction, and guidance to ensure implementation of the Department's mission.
  - *https://www.commerce.gov/sites/default/files/2021-06/BiB-Final-622-Noon.pdf*

- **Other Departmental Bureaus' FY 2022 Net Cost of Operations** was $200.8 million (Gross Costs of $202.6 million less Earned Revenue of $1.7 million), which is comprised of the Bureau of Industry and Security (BIS) and the Minority Business Development Agency (MBDA). **BIS** advances the Nation's national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued strategic technology leadership by the United States. **MBDA** helps to create and sustain American jobs by promoting the growth and global competitiveness of businesses owned and operated by minority entrepreneurs.
  - *https://www.bis.doc.gov/index.php/about-bis*
  - *https://www.mbda.gov/about/whatwedo*

Trends in Net Cost of Operations

The Department's Net Cost of Operations decreased $266.3 million, or 2 percent, from $12.33 billion in FY 2021 to $12.06 billion in FY 2022. Gross Costs increased $361.5 million, or 2 percent, from $16.71 billion to $17.07 billion. Earned Revenue increased $627.8 million, or 14 percent, from $4.38 billion to $5.00 billion.

TRENDS IN NET COST OF OPERATIONS *(In Billions)*

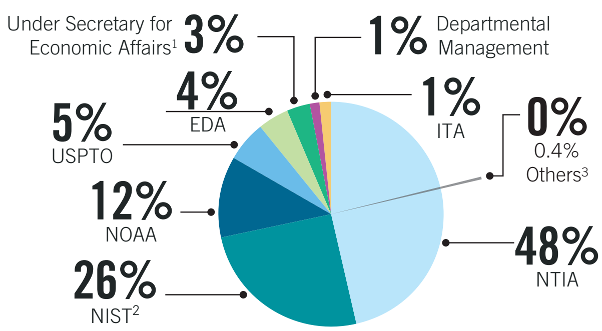


Selected Budgetary Information by Responsibility Segment

The distribution by responsibility segment (by percentage) of the Department's total budgetary resources substantially changed from FY 2021 to FY 2022, resulting primarily from new NTIA and NIST appropriations of $42.45 billion and $24.00 billion received in FY 2022, respectively, discussed in the following *Trends in Selected Budgetary Information* section. NTIA's portion of the Departmental total increased from 8 percent to 48 percent, and NIST's portion of the Departmental total increased from 7 percent to 26 percent.

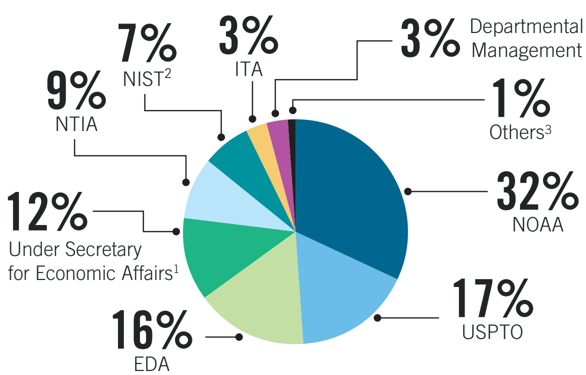
The distribution by responsibility segment (by percentage) of the Department's New Obligations and Upward Adjustments and the Department's Outlays, Net (comprised of Outlays, Gross less Actual Offsetting Collections) remained consistent from FY 2021 to FY 2022.

FY 2022 TOTAL BUDGETARY RESOURCES BY RESPONSIBILITY SEGMENT

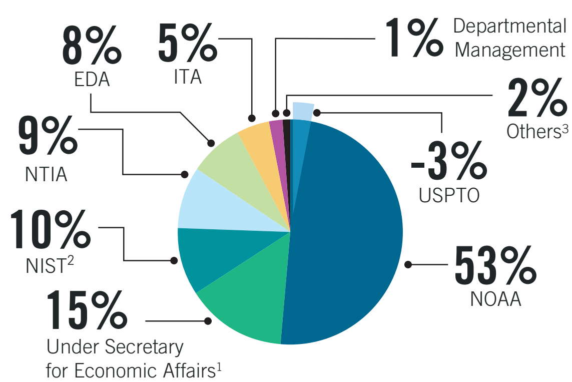


[1] The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.
[2] NIST includes NIST and NTIS.
[3] Others includes BIS and MBDA.

FY 2022 NEW OBLIGATIONS AND UPWARD ADJUSTMENTS BY RESPONSIBILITY SEGMENT



FY 2022 OUTLAYS, NET BY RESPONSIBILITY SEGMENT



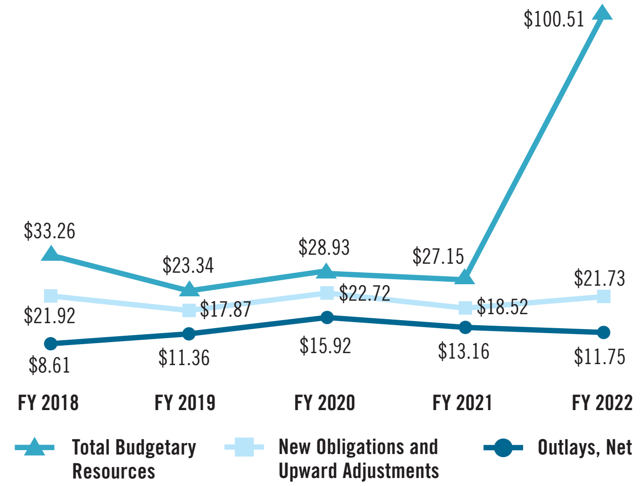
[1] The bureaus that fall under the Under Secretary for Economic Affairs are BEA and the Census Bureau.
[2] NIST includes NIST and NTIS.
[3] Others includes BIS and MBDA.

Trends in Selected Budgetary Information

The Department's total budgetary resources significantly increased $73.37 billion, from $27.15 billion in FY 2021 to $100.51 billion in FY 2022, primarily due to:

- A very large increase in Appropriations of $70.55 billion, from $14.32 billion in FY 2021 to $84.87 billion in FY 2022, mainly due to:
  - New appropriations of $42.45 billion received in FY 2022 in NTIA's Broadband Equity, Access, and Deployment Program fund group as previously discussed.
  - New appropriations of $24.00 billion received in FY 2022 in NIST's Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund under the *CHIPS and Science Act of 2022* as previously discussed.

TRENDS IN SELECTED BUDGETARY INFORMATION *(In Billions)*



- An increase in Unobligated Balance From Prior Year Budget Authority, Net of $2.32 billion, or 33 percent, from $6.95 billion to $9.27 billion. This budgetary resources line consists of unobligated balance brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward—typical items include recoveries of prior year unpaid obligations, cancellations of annual or multi-year appropriations, nonexpenditure transfers of prior year unobligated balances, and other changes including refunds collected for downward adjustments of prior year paid delivered obligations, and borrowing authority withdrawn.

The Department's New Obligations and Upward Adjustments increased $3.21 billion, or 17 percent, from $18.52 billion in FY 2021 to $21.73 billion in FY 2022, mainly due to:

- A very large increase in New Obligations and Upward Adjustments for EDA's Economic Development and Assistance Programs fund group of $2.32 billion, from $1.19 billion to $3.51 billion. This increase resulted from increased obligations under COVID-19 related appropriations that were previously received by EDA in FY 2020 and FY 2021 and which totaled $4.50 billion.
- A very large increase in New Obligations and Upward Adjustments for NTIA's Broadband Connectivity Fund of $1.64 billion, from $11.3 million to $1.65 billion. This fund previously received new appropriations in FY 2021 totaling $1.585 billion for the Tribal Broadband Connectivity Program ($1.00 billion), Broadband Infrastructure Program ($300.0 million), and the Connecting Minority Communities Fund ($285.0 million).
- Offset by a large decrease in New Obligations and Upward Adjustments for Census Bureau's Periodic Censuses and Programs fund group of $894.2 million, or 43 percent, from $2.09 billion to $1.19 billion, mainly due to decreased disbursements related to the 2020 Decennial Census operations.

The Department's Outlays, Net decreased $1.40 billion, or 11 percent, from $13.16 billion in FY 2021 to $11.75 billion in FY 2022, largely due to:

- A large decrease in Outlays, Net for Census Bureau's Periodic Censuses and Programs fund group of $1.55 billion, or 56 percent, from $2.79 billion to $1.24 billion, again mainly due to decreased disbursements related to the 2020 Decennial Census operations.

Financial and Performance Impact of COVID-19

The Department was not appropriated additional funding related to the COVID-19 pandemic in FY 2022 but did continue to obligate and disburse funding received by the Department in FY 2020 and FY 2021 for COVID-19 relief. In FY 2021, the Department received funds under both Public Law 116-260, the *Coronavirus Response and Relief Supplemental Appropriations* (CRRSA Act) and Public Law 117-2, the *American Rescue Plan Act* (ARP), in addition to the funding received in FY 2020 under the *Coronavirus Aid, Relief, and Economic Security Act* (Public Law 116-136) (CARES Act).

However, during FY 2022, $100 million was transferred to the Minority Business Development Agency (MBDA) under the provisions of Public Law 117-1, Title III, Subtitle C – State Small Business Credit Initiative. Per the provisions of Public Law 117-2, the funding will be used by MBDA to provide technical assistance to business enterprises owned and controlled by socially and economically disadvantaged individuals. This funding is available until expended.

During FY 2022, the Economic Development Administration's (EDA) Economic Adjustment Assistance program obligated nearly approximately $2.97 billion in funding to strengthen American communities by advancing economic development to those indirectly and directly impacted by COVID-19. EDA has worked to provide grants to communities impacted by the COVID-19 pandemic to support short and long-term economic recovery assistance activities. This includes planning and technical assistance, capitalization and recapitalization of Revolving Loan funds, and construction and non-construction assistance.

Most of the funding received by the Department contained a period of obligation which expired on September 30, 2021, or September 30, 2022. In addition to the MBDA funding, the majority of the remaining funding available for obligation in FY 2023 and beyond is for funding received by the National Telecommunications and Information Administration (NTIA) in Public Law 116-260, CRSSA Act.

- Under Division N, Title IV, *Broadband Internet Access*, NTIA received $1.59 billion in no-year funds available for obligation until expended as follows:
  - $1.30 billion to carry out a Broadband Infrastructure Program and Tribal Broadband Connectivity Program of assistance. As of September 30, 2022, NTIA has obligated approximately $1.27 billion of this funding to be used to support broadband infrastructure deployment to areas lacking broadband, as well as support to tribal governments for broadband deployment on tribal lands, as well as for telehealth distance learning, broadband affordability, and digital inclusion.
  - $285.0 million to establish an Office of Minority Broadband Initiatives and creates a Connecting Minority Communities Fund to be used to carry out a pilot program of assistance to be used to purchase broadband internet access service or equipment or to hire or train information technology personnel. NTIA has approximately $254.8 million in funds for this program available for use in FY 2023 and beyond.

The additional appropriations received by the Department have resulted in an increase in volume and value of grants and financial assistance by the Department bureaus detailed above. In order to support this increased volume, there is also an increase in staffing costs by EDA and NTIA as additional employees are hired to oversee the COVID-19 grant funding. There is also a temporary increase in assets, budgetary resources, and expenses as the funds are received, obligated, and disbursed by the Department. Additional details regarding the COVID-19 funds received by the Department are provided in Note 27, *COVID-19 Reporting*, of the notes to the financial statements.

Summary of Stewardship Information

Stewardship Assets

The Department has certain resources entrusted to it and certain stewardship responsibilities it assumes. The physical properties of Stewardship Assets resemble those of the General Property, Plant, and Equipment that is capitalized traditionally in the financial statements of federal entities. Given the nature of these assets, federal standard-setting bodies have determined that valuation is unduly burdensome and matching costs with specific periods is not meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. The National Oceanic and Atmospheric Administration (NOAA) is the primary bureau within the Department that maintains Stewardship Assets, while the National Institute of Standards and Technology (NIST) and the Census Bureau also maintain Stewardship Assets. These assets are discussed in greater detail in the Financial Portion of this report in Note 24, *Stewardship Property, Plant, and Equipment* and in Required Supplementary Information – *Land and Land Rights*.

Stewardship Investments

Stewardship investments are substantial investments made by the federal government for the benefit of the Nation, but are not physical assets owned by the federal government. Though treated as expenses when incurred to determine the Department's Net Cost of Operations, these items merit special treatment, so that users of federal financial reports know the extent of investments that are made for the long-term benefit of the Nation.

Investments in Non-federal Physical Property:

Non-federal physical property investments are expenses included in the Department's Net Cost of Operations for the purchase, construction, or major renovation of physical property owned by state and local governments. Based on a review of the Department's programs, the Economic Development Administration (EDA) and NOAA have significant investments in non-federal physical property.

The following table summarizes EDA's and NOAA's investments in non-federal physical property for FY 2022 and FY 2021:

(In Millions)

Program	FY 2022	FY 2021
EDA:		
Public Works	$ 124.7	$ 125.7
Economic Adjustment Assistance	13.8	12.8
Assistance to Coal Communities	34.4	28.5
Assistance to Nuclear Closure Communities	14.7	16.4
Disaster Recovery	25.5	283.1
CARES Act (Coronavirus Aid, Relief, and Economic Security Act)	1,198.8	307.3
EDA Subtotal	**1,411.9**	**773.8**
NOAA:		
National Estuarine Research Reserves	6.1	4.2
NOAA Subtotal	**6.1**	**4.2**
Total	**$ 1,418.0**	**$ 778.0**

EDA's investments in non-federal physical property, other than Disaster Recovery and COVID-19 relief, require matching funds by state and local governments of 20 to 50 percent. Disaster Recovery and COVID-19 relief grants do not require matching funds and can be up to 100 percent of the investment costs.

EDA:

Public Works: The Public Works program promotes long-term economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents.

Economic Adjustment Assistance: The Economic Adjustment Assistance program provides flexible investments for communities facing sudden or severe economic distress to diversify and stabilize their economies. EDA's investments in non-federal physical property include key public infrastructure, such as technology-based facilities that utilize distance learning networks, smart rooms, and smart buildings; multitenant manufacturing and other facilities; business and industrial parks with fiber optic cable; and telecommunications and development facilities. In addition, EDA invests in traditional public works projects, including water and sewer systems improvements, industrial parks, business incubator facilities, expansion of port and harbor facilities, skill-training facilities, and brownfields redevelopment.

Assistance to Coal Communities: This program competitively awards grants to coalitions of regionally driven economic development and workforce development organizations anchored in impacted coal communities. These grants enable grantees to take deliberate and measured steps to build economic resilience, industry diversification, and promote new job creation opportunities.

Assistance to Nuclear Closure Communities: This program competitively awards grants to coalitions of regionally-driven economic development and workforce development organizations anchored in impacted nuclear communities. These grants enable grantees to take deliberate and measured steps to build economic resilience, industry diversification, and promote new job creation opportunities.

Disaster Recovery: EDA supports the repair of infrastructure and economic development-related facilities damaged by floods and other natural disasters. Funding for Disaster Recovery is generally through supplemental appropriations from Congress for recovery efforts to save, sustain, and preserve private enterprise and job creation in economically distressed communities.

COVID-19 Relief: EDA received $3.00 billion of supplemental appropriations in FY 2021 under the American Rescue Plan Act (ARP Act), and $1.50 billion of supplemental appropriations in FY 2020 under the CARES Act to prevent, prepare for, and respond to COVID-19, domestically or internationally through programs authorized under Economic Adjustment Assistance, for which EDA also receives annual appropriations.

NOAA:

National Estuarine Research Reserves (NERR): NERR system consists of 29 estuarine reserves protected by federal, state, and local partnerships that work to preserve and protect the Nation's estuaries. The reserves were created with the passage of the Coastal Zone Management Act of 1972. NERRs are state-operated and managed in cooperation with NOAA. NOAA's investments in non-federal physical property are for the acquisition of lands and development or construction of facilities, auxiliary structures, and public access routes for any NERR site.

Investments in Human Capital:

These investments are for education and training programs that are intended to increase or maintain national economic productive capacity and produce outputs and outcomes that provide evidence of the constant or increasing national productive capacity. These investments exclude education and training expenses for federal civilian and military personnel. The most significant investments in human capital are by NOAA.

The following table summarizes NOAA's investments in human capital for FY 2022 and FY 2021:

(In Millions)

Program	FY 2022	FY 2021
Educational Partnership Program	$ 19.9	$ 19.6
Ernest F. Hollings Undergraduate Scholarship Program	7.1	5.5
NERR Margaret Davidson Fellowship Program	1.4	1.7
Total	**$ 28.4**	**$ 26.8**

Educational Partnership Program: The NOAA Educational Partnership Program with Minority Serving Institutions provides financial assistance through competitive processes to minority serving institutions that support research and training of students in NOAA-related sciences, through Cooperative Science Centers. The program's goals include (1) increase the number of trained and graduated students, from underrepresented communities in science and technology, directly related to NOAA's mission; and (2) increase collaborative research efforts between NOAA scientists and researchers at minority serving academic institutions.

Ernest F. Hollings Undergraduate Scholarship Program: This program was established in 2005 to (1) increase undergraduate training in oceanic and atmospheric science, research, technology, and education, and foster multidisciplinary training opportunities; (2) increase public understanding and support for stewardship of the ocean and atmosphere and improve environmental literacy; (3) recruit and prepare students for public service careers with NOAA and other agencies at the federal, state, and local levels of government; and (4) recruit and prepare students for careers as teachers and educators in oceanic and atmospheric science and to improve scientific and environmental education in the United States.

National Estuarine Research Reserve Margaret Davidson Fellowship Program: This program supports activities designed to increase public awareness of estuary issues, provide information to improve management decisions in estuarine areas, and train graduate students in estuarine science. This Fellowship Program places one graduate student at each of the nation's 29 national estuarine research reserves. Through a research project, fellows will address a key coastal management question to help scientists and communities understand coastal challenges that may influence future policy and management strategies.

Investments in Research and Development (R&D):

Investments in R&D are expenses that are included in the Department's Net Cost of Operations. The investments are divided into three categories: (1) basic research, the systematic study to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind; (2) applied research, the systematic study to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met; and (3) development, the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes. The investments are made with the expectation of maintaining or increasing national economic productive capacity, or yielding other future economic or societal benefits. Based on a review of the Department's programs, the significant investments in R&D are by the NIST and NOAA.

The following table summarizes NIST's R&D investments for FY 2018 through FY 2022:

(In Millions)

	FY 2022								
Program	**Basic**	**Applied**	**Development**	**Total**	**FY 2021**	**FY 2020**	**FY 2019**	**FY 2018**	**Total**
NIST Laboratory Program	$ 302.8	$ 507.8	$ 12.1	$ 822.7	$ 801.7	$ 764.1	$ 759.2	$ 733.2	$ 3880.9
Manufacturing USA	–	–	28.8	28.8	29.4	16.2	12.8	7.6	94.8
Public Safety Communications Research Program	–	44.4	–	44.4	48.6	44.2	41.4	36.2	214.8
Total	**$ 302.8**	**$ 552.2**	**$ 40.9**	**$ 895.9**	**$ 879.7**	**$ 824.5**	**$ 813.4**	**$ 777.0**	**$ 4,190.5**

NIST Laboratory Program: The NIST Laboratory Program works at the frontiers of measurement science, ensuring that the U.S. system of measurements is firmly grounded on sound scientific and technical principles. NIST laboratories address increasingly complex measurement challenges, ranging from the very small (quantum devices) to the very large (vehicles and buildings), and from the physical (resilient infrastructure) to the virtual (cybersecurity). As new technologies develop and evolve, NIST's measurement research and services remain central to innovation, productivity, trade, national security, and public safety. NIST's mission is essential for U.S. commerce and global competitiveness.

Manufacturing USA: The Manufacturing USA program serves to increase U.S. global competitiveness by creation of an effective public-private manufacturing research infrastructure for U.S. industry and academia to solve industry-relevant problems. Manufacturing USA consists of industry-led institutes with initial federal start-up funding plus matching non-federal funds over a five to seven-year period, after which institutes are intended to be self-sustaining. The institutes form a network for manufacturing innovation which have common goals, but unique technical concentrations, that can benefit an entire industry sector.

Public Safety Communications Research Program: As part of the Middle-Class Tax Relief and Job Creation Act of 2012, NIST received in FY 2017 one-time (non-recurring) budgetary resources of $300.0 million from the National Telecommunications and Information Administration (NTIA) to help develop cutting-edge wireless technologies for public safety users. In partnership with industry and public safety organizations, NIST conducted research to develop new standards, technologies, and applications to advance public safety communications in support of NTIA's First Responder Network Authority's efforts to buildout, deploy, operate, and maintain an interoperable nationwide broadband network for first responders. The funds expired for obligation in FY 2022.

The following table summarizes NOAA's R&D investments by program for FY 2018 through FY 2022:

(In Millions)

	FY 2022								
Program	**Basic**	**Applied**	**Development**	**Total**	**FY 2021**	**FY 2020**	**FY 2019**	**FY 2018**	**Total**
Environmental and Climate	$ –	$ 513.8	$ 142.1	$ 655.9	$ 566.1	$ 531.2	$ 536.5	$ 488.6	$ 2,778.3
Fisheries	–	52.8	22.7	75.5	73.5	68.7	58.8	60.1	336.6
Weather Service	–	13.1	33.4	46.5	19.7	18.3	22.1	19.5	126.1
Other	–	143.8	9.7	153.5	128.5	131.3	131.9	144.5	689.7
Total	**$ –**	**$ 723.5**	**$ 207.9**	**$ 931.4**	**$ 787.8**	**$ 749.5**	**$ 749.3**	**$ 712.7**	**$ 3,930.7**

Environmental and Climate: The Office of Oceanic and Atmospheric Research is NOAA's primary R&D office. This office conducts research in three major areas: climate research; weather and air quality research; and ocean, coastal, and Great Lakes research. NOAA's research laboratories, Climate Program Office, and research partners conduct wide-ranging research into complex climate systems, including the exploration and investigation of ocean habitats and resources. NOAA's research organizations conduct applied research to predict severe weather events and hazardous conditions that threaten life, property, and economic well being.

Fisheries: NOAA's National Marine Fisheries Service supports sustainable fisheries and protected resources management including in the areas of improving aquaculture; improving fishery data collection and assessment, protected species science, techniques for reducing bycatch and other adverse impacts, adapting to climate change and other long-term ecosystem change, and socioeconomic research. Other examples of R&D are process-oriented studies to understand mechanisms that control reproductive success, population genetics and stock structure, animal behavior, biophysical modeling, and the functional value of habitat.

Weather Service: The National Weather Service conducts applied research and development to support integrated water prediction. A primary goal is to expand and accelerate critical weather forecasting research to operation through accelerated development and implementation of current global weather prediction models, improved data assimilation techniques, and improved software architecture and system engineering.

Other Programs: As a national lead for coastal stewardship, NOAA's National Ocean Service (NOS) supports research and development on the cartographic, hydrographic, and oceanographic sciences that underpin mapping, observing, and modeling efforts. This R&D leads to new technologies, models, and products and tools. NOAA's National Environmental Satellite Data and Information Service, Center for Satellite Applications and Research accelerates the transfer of satellite observations of land, atmosphere, ocean, and climate from scientific R&D into routine operations, enabling NOAA to offer state-of-the-art data, products, and services to decisionmakers.

Limitations of the Financial Statements

The principal financial statements in the financial section have been prepared to report the overall financial position, financial condition, and results of operations of the Department, pursuant to the requirements of 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Department in accordance with the generally accepted accounting principles (GAAP) for federal entities and the formats prescribed in OMB Circular A-136, *Financial Reporting Requirements*. Reports produced and used to monitor and control budgetary resources are prepared from the same records. Users of the financial statements are advised that the statements are for a component of the U.S. government.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

In late February 2022, workers at the National Data Buoy Center located at the Stennis Space Center along the Mississippi Gulf Coast loaded a half dozen flatbed trucks with parts to repair and to deploy new buoys for the mission. You can get a real sense of the size of these buoys when seen on the truck, which are 7 feet in diameter and 16 feet tall. The annual buoy maintenance mission ran eight months and had 10 port stops this year. *Credit: NOAA*

Management Controls

Statement of Assurance

The Department's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). During FY 2022, the Department assessed its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2022, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Department conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, the Department can provide reasonable assurance that its internal control over reporting as of June 30, 2022, was operating effectively and no material weaknesses were found in the design or operation of the internal control over reporting. Furthermore, no material weaknesses related to internal control over reporting were identified between July 1 and September 30.

Based on reviews conducted by the Department, it has been able to determine that its financial systems are in conformance with the Federal Financial Management Improvement Act (FFMIA) of 1996.

Jeremy Pelter
Acting Chief Financial Officer
and Assistant Secretary for Administration
November 10, 2022

Gina M. Raimondo
Secretary of Commerce
November 10, 2022

Federal Managers' Financial Integrity Act (FMFIA) of 1982

The objective of the Department's management control system is to provide reasonable assurance that:

- Resources are economically and efficiently controlled, communicated, and monitored and obligations and costs are in compliance with applicable laws;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Revenues and expenditures applicable to Agency operations are properly recorded and accounted for, permitting accurate accounts, reliable financial reports, and full accountability for assets; and
- Programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

During FY 2022, the Department reviewed its management control system in accordance with the requirements of FMFIA, OMB, and Departmental guidelines.

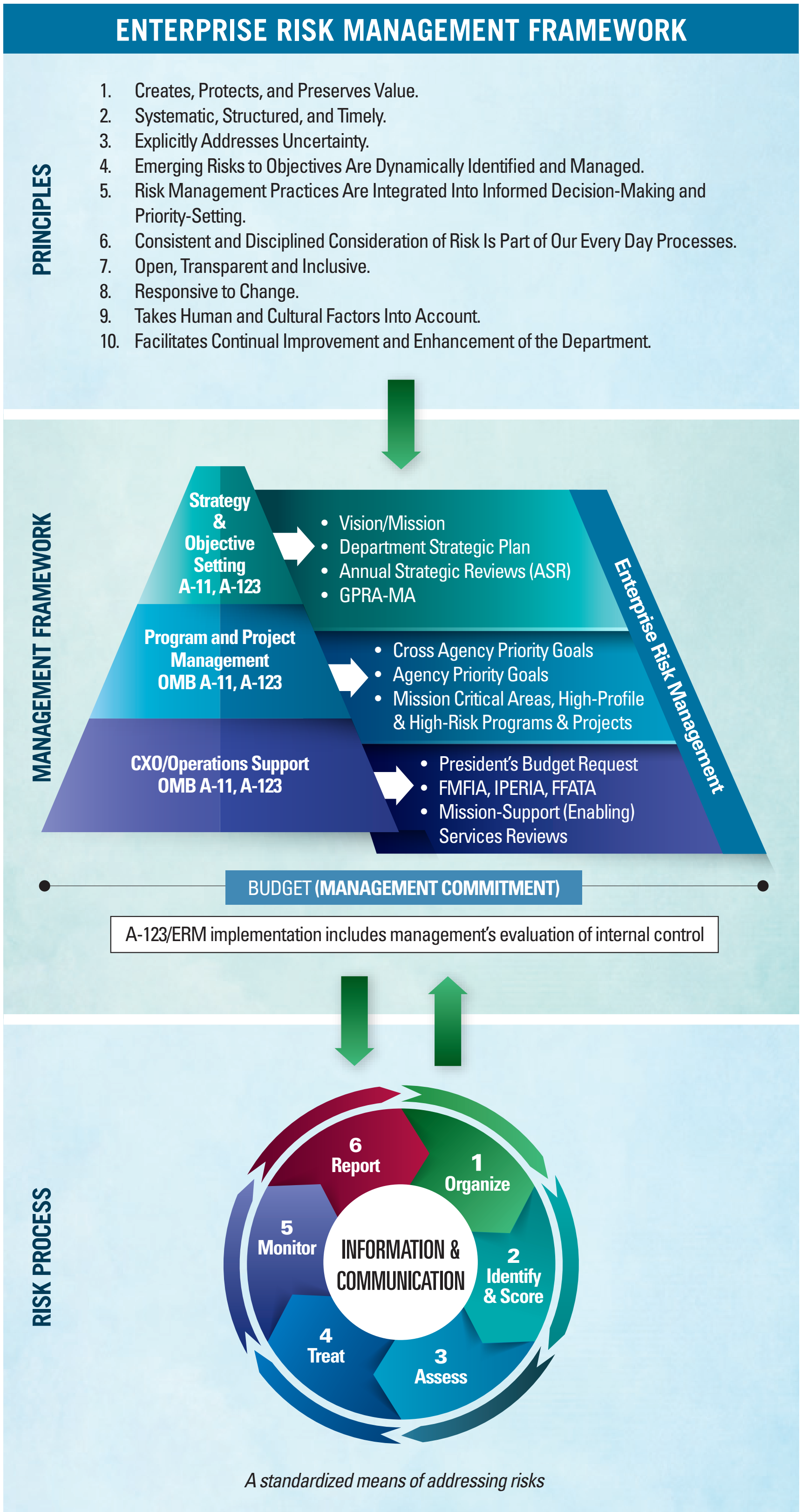
The Federal Managers' Financial Integrity Act of 1982 requires federal agencies to annually evaluate and report on the effectiveness and efficiency of their internal controls and financial management systems to ensure the integrity of federal programs and operations. Section 2 of FMFIA requires that federal agencies report, based on annual assessments, any material weaknesses that have been identified in connection with their internal and administrative controls, while Section 4 requires conformance with federal financial systems requirements. Based on the FY 2022 evaluations, the Department can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations was operating effectively and financial management systems comply with federal financial systems requirements. No material weaknesses were found in either the design or operation of the internal controls nor its financial systems.

The efficiency of the Department's operations is continually evaluated using information obtained from reviews conducted by the Government Accountability Office (GAO) and the Office of Inspector General (OIG), evaluations conducted by other federal agencies such as the Office of Personnel Management, and other specifically requested studies. The diverse reviews that took place during FY 2022 that were key to the organization provide assurance that Department systems and management controls comply with standards established under FMFIA.

The revised Appendix A to OMB Circular A-123, *Management of Reporting and Data Integrity Risk*, expands assurance for internal controls over reporting beyond finance. In preparing the Department's statement of assurance, attention was given to activities related to the Digital Accountability and Transparency Act (DATA Act), OIG Top Management Challenges, GAO High Risk List, performance reporting, strategic plans and performance metrics, real property and asset management, human resource reporting, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the American Rescue Plan Act (ARP Act), COVID-19, broadband initiatives related to the Consolidated Appropriations Act of 2021, and the Infrastructure Investment and Jobs Act (IIJA). Controls related to risks in the Department's risk profile and fraud risk were also considered in providing reasonable assurance on internal controls.

Federal Financial Management Improvement Act (FFMIA) of 1996

Under FFMIA, the Department is required to have financial management systems that comply with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. In FY 2022, the Department remained in compliance with FFMIA.



Adapted from OMB, ISO, and Committee of Sponsoring Organizations (COSO) Frameworks

Enterprise Risk Management (ERM)

Background

Risk management is not a new practice at the Department of Commerce. It is every employee's responsibility and a critical component of overall program, project, and performance management that is integral to the Department's operations. Applying the International Organization for Standardization (ISO) 31000's definition for risk, the Department defines risk as the effect of uncertainty on objectives. Since 2011, the Department's ERM Program has advanced an integrated approach to risk management, providing an enterprise process for proactively identifying, managing, and treating risk in achieving the Department's strategic objectives, program execution and Department operations utilizing an ERM program framework (See Enterprise Risk Management Framework on left).

The Department has seen substantial progress for integrating risk management into operations to improve organizational effectiveness. Its efforts have resulted in increased risk awareness, and strategic and operational efficiencies for complex and high-profile mission critical programs and activities, including mission-enabling services, key high-priority programs included in the Annual Strategic Review (ASR) and progress in advancing the Department's ERM maturity.

Rising complexity and interconnectedness of Departmental risks coupled with fast-pace change and uncertainty from global chain events such as COVID-19, sophisticated cybercrime, climate change, geopolitical divides and supply chain shocks reinforce critical importance in applying a consistent, integrated approach to risk management to detect risks early for proactive response. Bureau and Office of the Secretary (OS) office risk profiles are a critical component to ERM's "top-down, bottom-up" approach to developing the Department's Risk Profile.

The primary purpose of a risk profile is to provide a thoughtful analysis of the risks an agency faces towards achieving its strategic objectives arising from its activities and operations and to identify appropriate options for addressing significant risks. As the likelihood/consequence is lowered for negative risks and consequences, nonessential risk can be removed from the profile to reprioritize resources to meet mission critical needs.

A risk profile is also a subset of the Department's enterprise risk inventory. It provides insight into the organization's mission and mission support risks and is designed to inform the Department's strategic plan, reform plans and budget process. The risk profile requirement satisfies OMB's A-123 risk profile requirements for *Management's Responsibility for Enterprise Risk Management and Internal Control*. The objective in submitting the bureau risk profiles is to ensure that this subset of the Department's enterprise risk inventory is an accurate representation for the Department.

Fiscal Year 2022 Achievements

In FY 2022, ERM completed another in a series of enterprise Department Risk Profiles, elevating new top risks for consideration in decision-making. Due to the high visibility legislation directed for specific goals or objectives, such as the CHIPS (Creating Helpful Incentives to Produce Semiconductors) and Science Act of 2022. In addition, the requirement of ensuring that risks on the Department's Risk Profile included treatment plans that addressed challenges for executing mitigation strategies as well as a status on progress made was continued. The integration of risk mitigation plan discussions in the Department's Enterprise Risk Management Council (ERM-C) governance process reinforces Department-wide commitment to effective ERM.

The ERM-C continues to include and engage Risk Owners responsible for crosscutting and unique risks with significant mission impact. This inclusion has advanced strategic and impactful discussion related to risk mitigation and performance, particularly in the areas of cybersecurity, hiring, IT, facilities, diversity, and emerging high-risk exposure areas that cut across the Department.

As the Department continues to move forward, the Risk Profile for FY 2023 will reflect management's continued high-level commitment to identify and discuss enterprise risks.

Report on OIG Audit Follow-up

This report shows audit follow-up activity on OIG audits, as well as the amount of potential monetary benefits the OIG found could be achieved through implementing open recommendations in these reports. Reports are closed when final action has been taken to implement all recommendations.

SUMMARY OF ACTIVITY ON AUDIT REPORTS
OCTOBER 1, 2021 THROUGH SEPTEMBER 30, 2022

	NUMBER OF REPORTS[1]	POTENTIAL MONETARY BENEFITS OF OPEN RECOMMENDATIONS[2]
Beginning Balance	28	$ 304,446,435
New Reports	19	27,876,033
Total Reports Open During the Period	47	328,322,468
Total Reports Closed During the Period[3]	13	294,009,006
Ending Balance	34	$ 34,313,462

1 The table includes Performance Audits, Evaluations, and Inspections. Audits comply with standards established by the Comptroller General of the United States for audits of federal establishments, organizations, programs, activities, and functions. Evaluations and inspections include evaluations, inquiries, and similar types of reviews that do not constitute an audit or a criminal investigation.

2 In some audits, the OIG identifies potential monetary benefits that could be realized when or if the recommendations are implemented. Potential Monetary Benefits of open recommendations include Questioned Costs and Funds to Be Put to Better Use.

- Questioned Costs: This is a cost questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that an expenditure of funds for the intended purpose is unnecessary or unreasonable.
- Funds to Be Put to Better Use: This dollar value results from an OIG recommendation that funds could be used more efficiently if Departmental Management took action to implement and complete the recommendation. Such actions may include (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the Department, a contractor, or a grantee; (5) avoidance of unnecessary expenditures identified in preaward reviews of contracts or grant agreements; or (6) any other savings specifically identified.

3 The Potential Monetary Benefits amount in this row includes potential monetary benefits of recommendations that were closed even though the corresponding reports remained open.

Compliance With Other Laws and Regulations

In addition to the aforementioned laws and regulations that the Department complies with, the Department makes it a priority to comply with all other applicable legal and regulatory requirements such as the Antideficiency Act (ADA), Prompt Payment Act (PPA), Payment Integrity Information Act of 2019 (PIIA), etc. The ADA is one of the key laws through which fiscal control of appropriated funds is maintained. Among other things, the ADA prohibits agencies from obligating funds in excess of appropriations. In the event of a suspected ADA violation, the Department completes a thorough review of the suspected ADA violation and reports on the findings as appropriate. As of September 30, 2022, the Department is currently investigating 13 potential ADA violations impacting the Department and its bureaus. The PPA requires agencies to pay proper invoices within 30 days or be liable for interest on delinquent payments and, in FY 2022, the Department's overall PPA success rate was 98.4%. PIIA replaced multiple other improper payment-related laws and regulations but still requires agencies to conduct improper payment risk assessments for all programs and report on improper payments to OMB annually, among other things. For more information on PIIA-related activities, see the Other Information section.

Financial Management Systems

The Department maintains an FFMIA-compliant financial management system, Commerce Business Systems (CBS), which provides reliable, timely information within a sophisticated security infrastructure. The system is capable of producing both financial and budget reports from information generated within the financial management system. CBS consists of a Core Financial System, including the Budget and Execution Data Warehouse. CBS is interfaced with the Electronic Travel System (E2), the SmartPay3 bankcard system, the U.S. Department of Agriculture's National Finance Center Payroll System, and the U.S. Department of the Treasury's (Treasury) Automated Standard Application for Payments.

The financial information from CBS is integrated in the Corporate Database for consolidated financial reporting, resulting in a single integrated financial management system. The Corporate Database is a commercial off-the-shelf (COTS) software package for consolidating financial data and producing financial reports. The Corporate Database is an integrated solution that provides financial statements and Adjusted Trial Balances reported at the Department, bureau, and Treasury Appropriation/Fund Group level. It also provides the ability to perform data analysis and produce the Department's footnotes, financial analysis reports, and other additional information required for the government-wide financial statements.

The Department continues to actively participate in a government-wide work group for Government Invoicing (G-Invoicing), a Treasury-led initiative to standardize the interagency agreement process across the government. The Department participates in this work group to help guide the implementation of the initiatives across the government as well as to plan for the changes needed to CBS so that the Department is ready to implement by the mandatory date. Additionally, the Department remains dedicated to providing monthly submissions to meet the Digital Accountability and Transparency Act (DATA Act) requirements, as well as addressing any necessary modifications as required.

During FY 2022, the Department accomplished the following initiatives.

- Continued active participation in the government-wide G-Invoicing work group. Trained Department personnel on using the G-Invoicing system to create user and user groups, and to enter General Terms and Conditions (GT&C), Orders, and Performance transactions. Created Department master administrator user to manage and control all Department users. Prepared users for the go-live on the G-Invoicing system on October 1, 2022;

- Completion of training and testing activities, the Business Applications Solution (BAS) Portal set up, configuration, and testing, and the BAS Help Desk Training and deployment readiness events for Phase 1A – Sunflower Asset Management and Prism Advance Acquisition Planning starting in October 2023;
- Continued Tier 2/production support operations for E2;
- Successfully lead the Department in monthly DATA Act submissions to Treasury that included adding new Disaster Emergency Fund Codes (DEFC) codes for disaster reporting; and
- Conducted operations and maintenance activities for the Department's Chief Financial Officer/Assistant Secretary for Administration (CFO/ASA) Dashboard application. The CFO/ ASA Dashboard provides a Department-wide, executive-level overview of the Department's highest priority and highest risk mission and administrative initiatives.

The Department will continue its efforts to enhance its financial systems by working towards implementing the BAS. The BAS program is a Department modernization initiative to deploy an integrated suite of financial and business management applications in support of the Department's mission. The objectives of BAS include implementing and integrating a suite of COTS business systems, Enterprise Data Warehouse (EDW) and Business Intelligence (B)I reporting solution, and system interfaces in a hosted environment. The BAS program will continue the ongoing emphasis on achieving organizational excellence and outstanding customer service for the Department. The Department plans to accomplish the following in FY 2023 and beyond:

- Complete Phase I BAS Implementation activities and prepare for deployment of the National Oceanic and Atmospheric Administration (NOAA) on the new financial and acquisition system in the beginning of FY 2024;
- Confirm final, single configuration for all core applications (Oracle, Prism, Enterprise Business Suite [EBS]) and finalize production support processes and procedures to support BAS Software-as-a-Service (SaaS) operations;
- Finalize and deploy governance structure and support processes for EDW including initial report list available in production;
- Continue to integrate with Treasury on planning and implementation activities and provide their Quality Service Management Offices team with regular status updates regarding the BAS project;
- Provide operations and maintenance support activities for the SmartPay3 interface files for CBS;
- Continue to work with CWTSatoTravel to design, build, and deploy new E2 travel reporting capabilities in conjunction with other agency E2 customers;
- Continue supporting activities for a BI solution to meet the Department's needs for DATA Act metrics reporting—to COVID-19 related DEFC-based outlay tracking; and
- Complete production support activities for G-Invoicing after go-live of production implementation in FY 2023.

FINANCIAL SECTION

Message From the Chief Financial Officer (Unaudited)

This FY 2022 Agency Financial Report provides financial and high-level program performance information to enable the Department's stakeholders to understand and evaluate our achievements relative to our mission and resources. The Department is committed to operational excellence, with a focus on providing outstanding service to our customers. This includes providing the public with highlights of our performance, and detailed financial information. This report also fulfills several statutory requirements, including the Reports Consolidation Act of 2000, the Chief Financial Officers Act, the Federal Managers' Financial Integrity Act (FMFIA), and the Government Management Reform Act.

In FY 2022, the Department achieved an unmodified audit opinion for the twenty-fourth consecutive year from the independent auditors tasked with auditing the financial statements.

The Department will continue enhancing financial and non-financial controls under FMFIA and Office of Management and Budget (OMB) Circular A-123. The Department has provided an unmodified statement of assurance that its internal controls and financial management systems meet the objectives of FMFIA and that those internal controls operated effectively with no identified material weaknesses.

The commitment to improving the Department's capacity to deliver our mission with customer-focused outcomes is an important focus of the Department's Leadership Team. As with most organizations, our most important resource is our people. The mission of the Department of Commerce would not be possible without our employees' continued commitment to the Commerce mission and public service.

The Department's Financial Management (OFM) team has achieved a great deal over the past year, especially as we worked to re-enter the office in a post COVID-19 work environment. We are proud that the Department was recognized by the Association of Government Accountants (AGA) for excellence in financial reporting with the prestigious Certificate of Excellence in Accountability Reporting (CEAR) for our FY 2021 AFR. This award represents the diligent work, efforts, resourcefulness, and collaboration of the OFM team and our partners throughout the department to produce clear, concise, and accurate financial reporting to our stakeholders.

Additionally, the Department worked with financial management staff across all bureaus to prepare the Department to implement Government Invoicing (G-Invoicing) on October 1, 2022. The Department has actively participated in the implementation of G-Invoicing to support the U.S. Department of Treasury (Treasury)-led initiative to standardize the interagency agreement process across the government.

One of the technological innovations being implemented at the Department is through the Business Applications Solution (BAS) solution, which will replace outdated financial, acquisitions, and property systems across the Department. These systems will allow for increased reporting functionality for internal and external stakeholders, resulting in the ability for Departmental Leadership to make timely and informed business decisions. In FY 2022, the Department continued work on the BAS contract and implementation activities. These efforts will continue in FY 2023 and beyond, as the BAS program continues the ongoing emphasis on achieving organizational excellence and outstanding customer service for the Department. The work completed to date along with the coordination with Treasury and OMB is already being viewed as a model for a government-wide approach to financial management within the federal financial management community.

Jeremy Pelter
Acting Chief Financial Officer
and Assistant Secretary for Administration
November 10, 2022

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Deputy Secretary Graves explores some of the high-tech demos during the National Institute of Standards and Technology's (NIST) Public Safety Communications Research (PSCR) Division hands-on demonstrations of innovative public safety communications technology advancements held in the Herbert Clark Hoover Building's main lobby this month.
Credit: Department of Commerce

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

INFORMATION MEMORANDUM FOR SECRETARY RAIMONDO

FROM: Richard Bachman, Assistant Inspector General for Audit and Evaluation, (202) 793-3344

DATE: Tuesday, November 15, 2022

RE: ***Department of Commerce FY 2022 Financial Statements***
Final Report No. OIG-23-002-A

I am pleased to provide you with the attached audit report, which presents an unmodified opinion on the U.S. Department of Commerce's (the Department's) fiscal year 2022 consolidated financial statements. KPMG LLP—an independent public accounting firm—performed the audit in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in *Government Auditing Standards*, and Office of Management and Budget Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*.

In its audit of the Department, KPMG

- determined that the financial statements were fairly presented, in all material respects, and in accordance with U.S. generally accepted accounting principles;
- identified no material weaknesses in internal control over financial reporting; and
- identified no instances of reportable noncompliance with applicable laws, regulations, contracts, and grant agreements, as well as no instances in which the Department's financial management systems did not substantially comply with certain provisions from Section 803(a) of the Federal Financial Management Improvement Act of 1996.

KPMG is solely responsible for the attached audit report and the conclusions expressed in it. We do not express any opinion on the Department's financial statements, any conclusions about the effectiveness of internal control over financial reporting, or any conclusions on compliance with applicable laws, regulations, contracts, and grant agreements.

This report will appear on our website pursuant to sections 4 and 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., §§ 4 & 8M).

We would like to thank the Department's staff and management for its cooperation and courtesies extended to KPMG and my office during this audit.

Attachment

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

Independent Auditors' Report

Inspector General, U.S. Department of Commerce and
Secretary, U.S. Department of Commerce:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the U.S. Department of Commerce (Department), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the U.S. Department of Commerce as of September 30, 2022 and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, Audit Requirements for Federal Financial Statements. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Department 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.

Other Matters - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

KPMG

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Department'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 consolidated financial statements.

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises Table of Contents, Message from Secretary Raimondo, How to Use this Report, Message from the Chief Financial Officer, Other Information, and Appendix, but it does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated 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 planning and performing our audit of the consolidated financial statements as of and for the year ended September 30, 2022, we considered the Department'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's consolidated financial statements as of and for the year ended September 30, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

We also performed tests of the Department's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which the Department's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

KPMG

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, District of Columbia
November 10, 2022

FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS

The tip of a tripod resting on the center of the 2020 Center of Population Commemorative Survey mark, as part of a GPS survey to determine the precise latitude, longitude, and height of the mark in Hartville, Missouri. *Credit: NOAA*

Introduction to the Principal Financial Statements

The principal financial statements are prepared to report the financial position and results of operations of the Department of Commerce, pursuant to the requirements prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, *Financial Reporting Requirements*.

Consolidated Balance Sheets

provide information on assets, liabilities, and net position as of the end of the reporting periods. Net position is the difference between assets and liabilities. It is a summary measure of the Department's financial condition at the end of the reporting periods. Intra-Departmental balances have been eliminated from the amounts presented.

Consolidated Statements of Net Cost

report the components of the net costs of the Department's operations for the period. The net cost of operations consists of the gross cost incurred by the Department less any earned revenue from our activities. Intra-Departmental balances have been eliminated from the amounts presented.

Consolidated Statements of Changes in Net Position

report the beginning net position, the transactions that affect net position for the period, and the ending net position. Intra-Departmental transactions have been eliminated from the consolidated amounts presented.

Combined Statements of Budgetary Resources

report information on the sources and status of budgetary resources for the reporting periods. Information in these statements is reported on the budgetary basis of accounting, which supports compliance with budgetary controls and controlling legislation.

United States Department of Commerce Consolidated Balance Sheets
As of September 30, 2022 and 2021 *(In Thousands)*

	FY 2022	FY 2021
ASSETS (Note 10)		
Intragovernmental:		
Fund Balance with Treasury (Notes 2 and 19)	$ 117,920,185	$ 32,530,613
Investments, Net (Notes 3 and 22 – NTIA's Public Safety Trust Fund)	–	12,156,733
Accounts Receivable (Note 4)	115,676	97,425
Advances and Prepayments	24,397	27,740
Total Intragovernmental	**118,060,258**	**44,812,511**
Other than Intragovernmental:		
Cash and Other Monetary Assets (Note 5)	11,035	12,045
Accounts Receivable, Net (Note 4)	19,339	22,741
Loans Receivable, Net (Note 6)	372,259	374,568
Inventory and Related Property, Net (Note 7)	128,770	121,150
General Property, Plant, and Equipment, Net (Note 8)	15,452,737	15,906,966
Advances and Prepayments	133,512	176,221
Other Assets		
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network, Net (Note 22 – NTIA's Network Construction Fund and First Responder Network Authority Fund)	5,727,385	5,343,646
Other (Note 9)	11,841	8,327
Total Other than Intragovernmental	**21,856,878**	**21,965,664**
TOTAL ASSETS	**$ 139,917,136**	**$ 66,778,175**
Stewardship Property, Plant, and Equipment (Note 24)		
LIABILITIES (Note 16)		
Intragovernmental:		
Accounts Payable	$ 64,238	$ 94,568
Debt (Note 11)	372,482	387,088
Advances from Others and Deferred Revenue	374,137	443,723
Other Liabilities		
Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	12,186,661	12,156,733
Custodial Payable to Treasury (Note 20)	214	503
Other (Note 12)	155,641	145,194
Total Intragovernmental	**13,153,373**	**13,227,809**
Other than Intragovernmental:		
Accounts Payable	862,386	1,335,503
Federal Employee Benefits Payable (Note 13)	1,688,076	1,574,542
Environmental and Disposal Liabilities (Note 14)	152,523	151,251
Advances from Others and Deferred Revenue	1,712,459	1,491,567
Other Liabilities		
Accrued Funded Payroll and Leave	344,133	321,998
Accrued Grant Liabilities	352,658	237,343
Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts	144,114	134,251
Other (Note 12)	95,773	74,362
Total Other than Intragovernmental	**5,352,122**	**5,320,817**
TOTAL LIABILITIES	**$ 18,505,495**	**$ 18,548,626**
Commitments and Contingencies (Note 17)		
NET POSITION		
Unexpended Appropriations – Funds from Dedicated Collections (Note 22)	$ –	$ –
Unexpended Appropriations – Funds from Other than Dedicated Collections	90,083,922	16,315,922
Total Unexpended Appropriations (Consolidated)	**90,083,922**	**16,315,922**
Cumulative Results of Operations – Funds from Dedicated Collections (Note 22)	17,011,137	17,051,604
Cumulative Results of Operations – Funds from Other than Dedicated Collections	14,316,582	14,862,023
Total Cumulative Results of Operations (Consolidated)	**31,327,719**	**31,913,627**
TOTAL NET POSITION	**$ 121,411,641**	**$ 48,229,549**
TOTAL LIABILITIES AND NET POSITION	**$ 139,917,136**	**$ 66,778,175**

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

United States Department of Commerce Consolidated Statements of Net Cost
For the Years Ended September 30, 2022 and 2021 (Note 18) *(In Thousands)*

	FY 2022	FY 2021
National Oceanic and Atmospheric Administration		
Gross Costs	$ 6,992,095	$ 6,637,645
Less: Earned Revenue	(259,602)	(230,553)
Net Cost of Operations	**6,732,493**	**6,407,092**
Under Secretary for Economic Affairs		
Gross Costs	2,414,585	2,991,443
Less: Earned Revenue	(353,338)	(362,273)
Net Cost of Operations	**2,061,247**	**2,629,170**
National Institute of Standards and Technology		
Gross Costs	1,349,844	1,331,961
Less: Earned Revenue	(213,926)	(189,512)
Net Cost of Operations	**1,135,918**	**1,142,449**
Economic Development Administration		
Gross Costs	1,062,491	800,944
Less: Earned Revenue	(11,922)	(3,954)
Net Cost of Operations	**1,050,569**	**796,990**
International Trade Administration		
Gross Costs	558,859	551,862
Less: Earned Revenue	(15,865)	(11,562)
Net Cost of Operations	**542,994**	**540,300**
National Telecommunications and Information Administration		
Gross Costs	539,801	383,436
Less: Earned Revenue	(164,358)	(169,340)
Net Cost of Operations	**375,443**	**214,096**
U.S. Patent and Trademark Office		
Gross Costs	3,731,681	3,626,876
Less: Earned Revenue	(3,945,961)	(3,383,902)
Net Cost (Surplus) of Operations	**(214,280)**	**242,974**
Departmental Management		
Gross Costs	214,926	186,298
Less: Earned Revenue	(37,024)	(22,098)
Net Cost of Operations	**177,902**	**164,200**
Others		
Gross Costs	202,316	194,632
Less: Earned Revenue	(1,469)	(2,453)
Net Cost of Operations	**200,847**	**192,179**
Total Gross Departmental Costs	17,066,598	16,705,097
Less: Total Earned Revenue	(5,003,465)	(4,375,647)
NET COST OF OPERATIONS	**$ 12,063,133**	**$ 12,329,450**

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

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2022 *(In Thousands)*

FY 2022	Funds from Dedicated Collections (Consolidated Totals) (Note 22)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$ –	$ 16,315,922	$ –	$ 16,315,922
Appropriations Received (Note 19)	–	84,614,820	–	84,614,820
Appropriations Transferred In/Out	–	103,001	–	103,001
Other Adjustments	–	(91,804)		(91,804)
Appropriations Used	–	(10,858,017)	–	(10,858,017)
Net Change in Unexpended Appropriations	–	73,768,000	–	73,768,000
Unexpended Appropriations: Ending	**–**	**90,083,922**	**–**	**90,083,922**
Cumulative Results of Operations:				
Beginning Balance	17,051,604	14,862,023	–	31,913,627
Appropriations Used	–	10,858,017	–	10,858,017
Non-exchange Revenue	38,005	8,224	–	46,229
Donations and Forfeitures of Cash and Cash Equivalents	–	66	–	66
Transfers In/Out Without Reimbursement	47,535	261,444	–	308,979
Donations and Forfeitures of Property	–	79	–	79
Imputed Financing	51,573	240,632	–	292,205
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	(29,928)	–	–	(29,928)
Other	10,225	(8,647)	–	1,578
Net Cost of Operations	(157,877)	(11,905,256)	–	(12,063,133)
Net Change in Cumulative Results of Operations	(40,467)	(545,441)	–	(585,908)
Cumulative Results of Operations: Ending	**17,011,137**	**14,316,582**	**–**	**31,327,719**
NET POSITION	**$ 17,011,137**	**$ 104,400,504**	**$ –**	**$ 121,411,641**

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

United States Department of Commerce Consolidated Statement of Changes in Net Position
For the Year Ended September 30, 2021 ***(In Thousands)***

	FY 2021		
	Funds from Dedicated Collections (Note 22)	Funds from Other than Dedicated Collections	Consolidated Total
Unexpended Appropriations:			
Beginning Balance	$ –	$ $13,040,173	$ $13,040,173
Appropriations Received	–	14,042,906	14,042,906
Appropriations Transferred In/Out	–	(897)	(897)
Other Adjustments	–	(67,666)	(67,666)
Appropriations Used	–	(10,698,594)	(10,698,594)
Net Change in Unexpended Appropriations	–	3,275,749	3,275,749
Unexpended Appropriations: Ending	**–**	**16,315,922**	**16,315,922**
Cumulative Results of Operations:			
Beginning Balance	17,295,431	15,433,800	32,729,231
Other Adjustments	–	(5,000)	(5,000)
Appropriations Used	–	10,698,594	10,698,594
Non-exchange Revenue	20,900	7,230	28,130
Donations and Forfeitures of Cash and Cash Equivalents	–	41	41
Transfer In of Auction Proceeds from Federal Communications Commission (Note 22 – NTIA's Public Safety Trust Fund)	4,476,093	–	4,476,093
Transfers In/Out Without Reimbursement	208,960	270,087	479,047
Donations and Forfeitures of Property	–	30	30
Imputed Financing	50,020	265,420	315,440
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction (Note 22 – NTIA's Public Safety Trust Fund)	(4,485,671)	–	(4,485,671)
Other	16,232	(9,090)	7,142
Net Cost of Operations	(530,361)	(11,799,089)	(12,329,450)
Net Change in Cumulative Results of Operations	(243,827)	(571,777)	(815,604)
Cumulative Results of Operations: Ending	**17,051,604**	**14,862,023**	**31,913,627**
NET POSITION	**$ 17,051,604**	**$ 31,177,945**	**$ 48,229,549**

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

United States Department of Commerce Combined Statements of Budgetary Resources
For the Years Ended September 30, 2022 and 2021 (Note 19) *(In Thousands)*

	FY 2022		FY 2021	
	Budgetary	Non-budgetary Credit Reform Financing Accounts	Budgetary	Non-budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES:				
Unobligated Balance From Prior Year Budget Authority, Net	$ 9,270,882	$ 956	$ 6,954,491	$ 109
Appropriations	84,872,274	–	14,321,262	–
Borrowing Authority	–	29,782	–	95,757
Spending Authority From Offsetting Collections	6,325,363	13,132	5,755,527	19,297
TOTAL BUDGETARY RESOURCES	**$ 100,468,519**	**$ 43,870**	**$ 27,031,280**	**$ 115,163**
STATUS OF BUDGETARY RESOURCES:				
New Obligations and Upward Adjustments	$ 21,690,366	$ 43,244	$ 18,409,233	$ 114,207
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	69,580,177	–	8,282,332	–
Exempt From Apportionment, Unexpired Accounts	712	–	691	–
Unapportioned, Unexpired Accounts	8,602,496	626	121,968	956
Unobligated Balance, End of Year, Unexpired Accounts	78,183,385	626	8,404,991	956
Unobligated Balance, End of Year, Expired Accounts	594,768	–	217,056	–
Total Unobligated Balance, End of Year	**78,778,153**	**626**	**8,622,047**	**956**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 100,468,519**	**$ 43,870**	**$ 27,031,280**	**$ 115,163**
OUTLAYS, NET, AND DISBURSEMENTS, NET:				
Outlays, Net	$ 11,752,756		$ 13,157,089	
Distributed Offsetting Receipts	(21,034)		(23,140)	
AGENCY OUTLAYS, NET	**$ 11,731,722**		**$ 13,133,949**	
DISBURSEMENTS, NET		**$ (14,277)**		**$ (1,828)**

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

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FINANCIAL SECTION

NOTES TO THE FINANCIAL STATEMENTS

During the keel-laying ceremony for NOAA's newest oceanographic research ship, *Oceanographer*, a welder from Thoma-Sea Marine Constructors, LLC, welds the initials of the Oceanographer's sponsor, Linda Kwok Schatz, onto a steel plate that will be incorporated into the ship in keeping with maritime tradition.
Credit: NOAA

Notes to the Financial Statements

(Dollars in Tables are Presented in Thousands unless Otherwise Noted)

(Dollars in Tables are Presented in Thousands unless Otherwise Noted)

Note 1. Summary of Significant Accounting Policies

A Reporting Entity

The Department of Commerce (the Department) is a cabinet-level agency of the Executive Branch of the U.S. government. Established in 1903 to promote U.S. business and trade, the Department's broad range of responsibilities includes predicting the weather, granting patents and registering trademarks, measuring economic growth, gathering and disseminating statistical data, expanding U.S. exports, developing innovative technologies, helping local communities improve their economic development capabilities, promoting minority entrepreneurial activities, and monitoring the stewardship of national assets.

For the *Consolidated Statements of Net Cost,* the Department's entities have been grouped together as follows:

- National Oceanic and Atmospheric Administration (NOAA)
- Under Secretary for Economic Affairs
  - Bureau of Economic Analysis (BEA)
  - Census Bureau
- National Institute of Standards and Technology (NIST)
  - National Technical Information Service (NTIS)
- International Trade Administration (ITA)
- Economic Development Administration (EDA)
- U.S. Patent and Trademark Office (USPTO)
- National Telecommunications and Information Administration (NTIA)
  - First Responder Network Authority (FirstNet)[1]
- Departmental Management (DM)
  - Gifts and Bequests
  - Herbert C. Hoover Building Renovation Project
  - Nonrecurring Expenses Fund
  - Office of Inspector General (OIG)
  - Salaries and Expenses (S&E)
  - Working Capital Fund (WCF)
- Others
  - Bureau of Industry and Security (BIS)
  - Minority Business Development Agency (MBDA)

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

[1] The Middle Class Tax Relief and Job Creation Act of 2012 created the First Responder Network Authority (FirstNet), included in these financial statements, as an independent authority within NTIA, to provide emergency responders with the first high-speed, nationwide network dedicated to public safety.

Disclosure Entities: The Federal Accounting Standards Advisory Board's (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, is intended to guide federal agencies in recognizing complex, diverse organizations possessing varying legal designations (e.g., government agencies, not-for-profit organizations, and corporations) that are involved in addressing public policy challenges. It provides guidance for determining what organizations should be included in a federal agency's financial statements (consolidation entities) and footnote disclosures (disclosure entities; and related parties) for financial accountability purposes, and is not intended to establish whether an organization is or should be considered a federal agency for legal or political purposes.

The standard sets forth guidance to include, as a consolidation entity or disclosure entity, in the appropriate federal agency's financial reporting, (a) an organization with an account or accounts listed in the Budget of the U.S. government, unless it is a non-federal organization receiving federal financial assistance; (b) an organization for which the federal governments holds a majority interest; and (c) an organization that is controlled by the federal government with risk of loss or expectation of benefit—the power to impose will on and/or govern, whether or not that ability is actively exercised, the financial and/or operating policies of another organization with the potential to be obligated to provide financial support or assume financial obligations or obtain financial resources or nonfinancial benefits. SFFAS 47 additionally establishes that an organization should be included as a consolidation entity or disclosure entity if it would be misleading to exclude it even though it does not meet one of the three inclusion principles.

The standard further provides guidance for determining if an organization should be reported as a consolidation entity or disclosure entity, including guidance for the performance of an assessment, as a whole, of the degree to which the following characteristics are met: (a) the organization is financed through taxes and other non-exchange revenues; (b) the organization is governed by Congress and/or the President; (c) the organization imposes or may impose risks and rewards to the federal government; and (d) the organization provides goods and services on a non-market basis. Some organizations are to a large degree insulated from political influence and are not intended to be funded primarily by taxes and other non-exchange revenue. Information about these types of discrete organizations should generally be disclosed in the footnotes as disclosure entities.

Consolidation entities are organizations that should be consolidated in the Department's proprietary financial statements based on an assessment as prescribed in SFFAS 47. Disclosure entities are identified as such based on an assessment as prescribed in SFFAS 47; however, are not consolidated in the Department's proprietary financial statements, and for which information is disclosed in the Department's footnotes to the financial statements.

SFFAS 47 lastly sets forth guidance on footnote disclosure requirements for significant relationships with other parties. It requires footnote disclosures "if one party to an established relationship has the ability to exercise significant influence over the other party in making policy decisions, and the relationship is of such significance that it would be misleading to exclude information about it."

The Department performs evaluations at least annually to determine if there are any organizations that should be included in the Department's financial reporting as consolidation entities, disclosure entities, and/or related parties.

Based on the Department's evaluations, the Department did not identify any consolidation entities that are not already included in the financial statements or related parties for inclusion in the Department's financial reporting. See Note 25, *Disclosure Entity*, for information regarding the organization identified as a disclosure entity for the Department's financial reporting.

B Basis of Accounting and Presentation

These financial statements reflect transactions and balances under both (a) the proprietary basis of accounting, which is based on accrual accounting concepts, as reported throughout the financial statements and notes to the financial statements, except for the *Combined Statements of Budgetary Resources (SBR)* and the related Note 19; and (b) the budgetary basis of accounting, as reflected in the *SBR* and related Note 19.

Under the proprietary basis of accounting, appropriations are recognized as used and exchange revenue is recognized as earned as costs are incurred (e.g., goods have been received or services have been rendered), without regard to the receipt or payment of cash. See Note 1.Q, *Revenue and Other Financing Sources*, for more information on accounting policies for revenue and financing sources/(uses). Departmental costs include both Gross Costs reported in the *Consolidated Statements of Net Cost* that relate to the fiscal year being reported on, and capitalized costs that are included in the *Consolidated Balance Sheets* and that are subsequently expensed in the appropriate manner over future fiscal year(s).

The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law, and is designed to recognize budgetary resources for appropriations, spending authority from offsetting collections, borrowing authority, and contract authority for an agency, and the obligation and outlay or otherwise disbursement or disposition of funds made available, which in many cases occurs prior to the occurrence of a proprietary accounting transaction. The budgetary basis of accounting is based on concepts set forth by the Office of Management and Budget (OMB) in Circular A-11, *Preparation, Submission, and Execution of the Budget*, which provides guidance on preparing the annual Budget of the U.S. government and provides instructions on budget execution. Appendix F, *Format of SF 132, SF 133, Schedule P, and SBR*, provides detailed guidance and instructions for each line item of the SF 133, *Report on Budget Execution and Budgetary Resources*, which reports data for each fiscal quarter and for the fiscal year and for which the *SBR* format and line items is based on; however, the SF 133 format, subsections, line items, and types of budgetary data reported are significantly more expansive than what is included in the *SBR*. The SF 133 is used to monitor the execution of OMB apportionments[2] per the SF 132, *Apportionment and Reapportionment Schedule*. The *SBR* includes a separate column for non-budgetary credit reform financing accounts, which records all of the cash flows resulting from post-FY 1991 direct loans and loan guarantee commitments. For further information about budget terms and concepts, see the *Budget Concepts* chapter of the *Analytical Perspectives* volume of the President's Budget, located on OMB's President's Budget web page.

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[2] Per OMB Circular A-11, Section 20.3, *What special terms must I know?*, "**Apportionment** is a plan, approved by OMB, to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). Resources are apportioned by Treasury Appropriation Fund Symbol (TAFS). The apportionment identifies amounts available for obligation and expenditure. It specifies and limits the obligations that may be incurred and expenditures made (or makes other limitations, as appropriate) for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportioned amount may be further subdivided by an agency into allotments, suballotments, and allocations."

The *SBR* presents, for the aggregate of discretionary and mandatory funds:

a. Budgetary resources[3] for the fiscal year. The Department's budgetary resources consist of Unobligated Balance From Prior Year Budget Authority[4], Net; Appropriations[5]; Borrowing Authority[6]; and Spending Authority From Offsetting Collections[7];

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[3] Per OMB Circular A-11, Section 20.3, "**Budgetary resources** mean amounts available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years."

[4] Per OMB Circular A-11, Section 20.3, "**Budget authority (BA)** means the authority provided by law to incur financial obligations that will result in outlays. The specific forms of budget authority are appropriations, borrowing authority, contract authority, and spending authority from offsetting collections."

[5] Per OMB Circular A-11, Section 20.4, *What do I need to know about budget authority?*, "**Appropriations**, as a type of budget authority, permit you to incur obligations and make outlays (payments). (Not all appropriations provide budget authority, as explained below.) The Congress enacts appropriations in annual appropriations acts and other laws. An appropriation may make funds available from the general fund, special funds, or trust funds. An appropriations act may also authorize the spending of offsetting collections, which are credited to expenditure accounts (including revolving funds)."

[6] Per OMB Circular A-11, Section 20.4, "**Borrowing authority** permits you to incur obligations and authorizes you to borrow funds to liquidate the obligations. Usually, the law authorizing the borrowing specifies that you must borrow from the Treasury, but in a few cases it authorizes borrowing directly from the public. Laws usually authorize borrowing for business-like operations, such as the Tennessee Valley Authority, which generates and sells electrical power. Such laws require the program to repay the borrowing, with interest, out of business proceeds."

[7] Per OMB Circular A-11, Section 20.3, "**Spending authority from offsetting collections** is a type of budget authority that permits obligations and outlays to be financed by offsetting collections."

b. Status of those budgetary resources. The Department's status of budgetary resources consists of New Obligations and Upward Adjustments:[8] Unobligated Balance, End of Year, Unexpired Accounts[9] (Apportioned[2]; Exempt from Apportionment; and Unapportioned); and Unobligated Balance, End of Year, Expired Accounts[9].

c. *Outlays, Net, and Disbursements, Net* (cash transactions) for the fiscal year, which includes:

   i. *Outlays, Net*, which is comprised of Outlays, Gross[10] less Actual Offsetting Collections[11];

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[8] Per OMB Circular A-11, Section 20.3, "**Obligation** means a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally."

[9] Per OMB Circular A-11, Section 20.4, "Period of availability for making disbursements: Under a general law, annual budget authority and multi-year budget authority may be disbursed during the first two phases of the following three phases that make up the life cycle of the budget authority.

Unexpired phase. During this time period the budget authority is available for incurring "new" obligations. You may make "new" grants or sign "new" contracts during this phase and you may make disbursements to liquidate the obligations. This phase lasts for a set number of years. Annual budget authority lasts for up to one fiscal year. Multi-year authority lasts for longer periods, currently from over one fiscal year up to 15 fiscal years, and no-year authority lasts indefinitely.

Expired phase. During this time period, the budget authority is no longer available for new obligations but is still available for disbursement. This phase lasts five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, you may not incur new obligations against expired budget authority, but you may liquidate existing obligations by making disbursements.

However, you may use the expired budget authority to make certain adjustments to obligations that were incurred before the budget authority expired. For example, you could make an upward adjustment in previously recorded obligations for transportation charges, under an agreement to pay actual transportation charges, if they turned out to be greater than originally estimated. Unless there is an exception in law, you may use expired authority to make adjustments to obligations or disbursements only during a period of five years after the last unexpired year. The expired period can be lengthened by legislation. If you have a program with a legitimate need to disburse funds for more than five years after the authority expires for obligation—for example, to make disbursements over many years under direct loan contracts, to pay termination costs under a contract, or to make payments under a lease—and your OMB representative approves, you may propose special language to disburse over a period longer than five years (see section 95.8). You may disburse during the longer period only if the special language is enacted in law.

Canceled phase. After the last expired year, the account is closed, and the balances are canceled. The authority to disburse is canceled and is no longer available for any purpose. Any offsetting collections credited to the account at the time the account is canceled or subsequently must be transferred to miscellaneous receipts in the Treasury. Any old bills with valid obligations that show up after the account is closed must be obligated against and disbursed from budget authority that is available for the same general purpose but still in the unexpired phase. For example, an old bill from obligations incurred against an FY 2006 annual salaries and expense (S&E) account that arrives after the authority is canceled must be obligated and disbursed against the corresponding FY 2012 annual S&E account."

[10] Per OMB Circular A-11, Section 20.3, "**Outlay** means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending."

[11] Per OMB Circular A-11, Section 20.3, "**Offsetting collections** mean payments to the government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, offsetting collections are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority."

ii. *Agency Outlays, Net*, which is comprised of *Outlays, Net* less *Distributed Offsetting Receipts*[12]. *Distributed Offsetting Receipts* represents actual collections from the public or from other federal entities, net of disbursements, that are credited to certain receipt accounts (general fund, special fund, trust fund, and gift and donation receipt accounts) and budget clearing accounts, and for which the net receipts recorded to this line offset the budget outlays of the agency that conducts the activity generating the receipts; and

iii. *Disbursements, Net*, which is limited to the Department's non-budgetary credit reform financing accounts, and is comprised of Disbursements, Gross less Actual Offsetting Collections.

Proprietary and budgetary accounting are complementary; however, both the types of information presented and the timing of their recognition are sometimes different. Information is therefore needed about the differences between proprietary and budgetary accounting, which is accomplished in part by presenting a *Reconciliation of Net Cost of Operations to Agency Outlays, Net* in Note 23. This reconciliation helps explain and clarify how proprietary basis of accounting *Net Cost of Operations* (based on accrual accounting concepts and includes cash and non-cash transactions) for the fiscal year relates to budgetary basis of accounting *Agency Outlays, Net* (cash transactions) for the fiscal year and the reconciling items between the two.

These financial statements have been prepared from the accounting records of the Department in conformance with U.S. generally accepted accounting principles (GAAP) and the form and content for entity financial statements specified in OMB Circular A-136 Revised, *Financial Reporting Requirements*. GAAP for federal entities are identified by FASAB, which is the official body for setting the accounting standards of the U.S. government.

Throughout these financial statements, intragovernmental assets, liabilities, gross costs, earned revenue, transfers, and other activity represent balances or activity totals with other federal entities. Other than intragovernmental assets and liabilities represent balances or activity totals with non-federal entities, including individuals, businesses, non-profit entities, and state, local, and foreign governments.

The Department has allocation transfer transactions with other federal agencies as both a transferring (parent) entity and as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Department of the Treasury (Treasury) as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. For the Department, all financial activity and balances as parent related to these allocation transfers (e.g., budgetary resources, obligations incurred, gross costs, and outlays, gross) are required to and are reported in the Department's financial statements (from which the underlying legislative authority, appropriations, and OMB apportionments are derived). For the Department, all child account activity and balances are required to be and are excluded from the Department's financial statements. EDA allocates funds, as the parent, to the U.S. Department of Agriculture's Rural Development Administration; all financial activity related to these EDA funds is reported in the Department's financial statements. EDA has received allocation transfers, as the child, from the Appalachian Regional Commission. Census Bureau has received allocation transfers, as the child, from the U.S. Department of Health and Human Services.

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[12] Per OMB Circular A-11, Section 20.7, *What do I need to know about governmental receipts, offsetting collections, and offsetting receipts?*, "Collections that are offset against gross outlays and budget authority but are not authorized to be credited to expenditure accounts are credited to receipt accounts and are called offsetting receipts. They are deducted from budget authority and outlays in arriving at total budget authority and outlays. However, unlike offsetting collections that are credited to expenditure accounts, offsetting receipts do not offset budget authority and outlays at the account level. Most offsetting receipts deposited in receipt accounts are offset at the agency and subfunction levels, and the offsetting receipts of certain general fund payments are offset at the bureau levels. We call these distributed offsetting receipts. A few offsetting receipts are offset at government-wide totals. We call these undistributed offsetting receipts."

C Funds from Dedicated Collections

Funds from Dedicated Collections are financed by specifically identified revenues, often supplemented by other financing sources that are originally provided to the federal government by a non-federal source, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the federal government's general revenues.

Funds from Dedicated Collections include general funds, revolving funds (not including credit reform financing funds), special funds, and trust funds. For detailed information about the Department's funds from dedicated collections, see Note 22.

D Elimination of Intra-entity and Intra-Departmental Transactions and Balances

Consolidated Balance Sheets: Asset and liability line items are reported after elimination of transactions and balances within or among the Department's fund groups (intra-Departmental).

For the Net Position section of the Department's FY 2022 *Consolidated Balance Sheet*, line items are reported after elimination of intra-Departmental transactions and balances.

For the Net Position section of the Department's FY 2021 *Consolidated Balance Sheet*, (a) Funds from Dedicated Collections line items are reported on a combined basis; therefore, intra-Departmental transactions and balances have not been eliminated; and (b) Funds from Other than Dedicated Collections line items reflect all eliminations of intra-Departmental transactions and balances, including elimination of intra-Departmental transactions and balances among Funds from Dedicated Collections, among Funds from Other than Dedicated Collections, and between Funds from Dedicated Collections and Funds from Other than Dedicated Collections.

Consolidated Statements of Net Cost: Line items are reported after elimination of intra-Departmental transactions and balances.

Consolidated Statements of Changes in Net Position: For the FY 2022 multi-column presentation, the Funds from Dedicated Collections column and the Funds from Other than Dedicated Collections column are reported on a consolidated basis (after elimination of intra-Departmental transactions and balances), and any intra-Departmental transactions and balances between Funds from Dedicated Collections and Funds from Other than Dedicated Collections are eliminated, as shown in the Eliminations column.

For the FY 2021 multi-column presentation, the Funds from Dedicated Collections column is reported on a combined basis (intra-Departmental transactions and balances have not been eliminated), and the Funds from Other than Dedicated Collections column reflects any eliminations of intra-Departmental transactions and balances for this statement.

The ***Statements of Budgetary Resources*** are presented on a combined basis; therefore, intra-Departmental transactions and balances have not been eliminated.

E Assets

An asset is a resource that embodies economic benefits or services that the federal government can obtain or control. ***Entity Assets***, included in the Department's *Consolidated Balance Sheets*, are assets that the Department has authority to use in its operations. ***Non-entity assets***, also included in the Department's *Consolidated Balance Sheets*, are assets held by the Department that are not available for use in its operations, and for which a liability has been recorded. Non-entity Fund Balance with Treasury includes non-federal customer deposits held by the Department for which orders have not yet been received, and for which there is a corresponding liability included in the *Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts*, and monies payable to the General Fund of the U.S. government for custodial activity and loan programs. Non-entity Investments, Net as of September 30, 2021 were comprised of NTIA's Public Safety Trust Fund investments for which there was a corresponding liability to the General Fund of the U.S. government for deficit reduction. The NTIA Public Safety Trust Fund's investments in federal securities matured in September 2022 and the proceeds of $12.19 billion are included in Non-entity Fund Balance with Treasury as of September 30, 2022, and also for which there is a corresponding liability to the General Fund of the U.S. government for deficit reduction. See Note 22 for more information on NTIA's Public Safety Trust Fund.

F Assignment of Assets to Bureaus/Reporting Entities

A Departmental asset is normally assigned by default to the bureau/reporting entity that authorized its acquisition and controls the asset. In situations where an asset is not directly obtained by a bureau/reporting entity or for any other situation where the assignment of the asset to a bureau(s)/reporting entity(ies) is an issue, the Department's Office of Financial Management (OFM) will gather relevant information from all appropriate sources to perform an evaluation of the appropriate assignment of the asset to bureau(s)/reporting entity(ies). OFM's evaluation will include collaboration within the Department and with others as appropriate. Upon the completion of OFM's evaluation, OFM will determine the appropriate assignment of the asset to bureau(s)/reporting entity(ies) and will communicate such results within the Department. There were not any significant assets assigned by the Department in FY 2022 and FY 2021.

G Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of funds in the Department's accounts with Treasury. Deposit Funds include amounts held in customer deposit accounts.

Treasury processes cash receipts and disbursements for the Department's domestic operations. Cash receipts and disbursements for the Department's overseas operations are primarily processed by the U.S. Department of State's financial service centers.

H Investments, Net

Investments in federal securities as of September 30, 2021 consist of non-marketable, market-based investments purchased by NTIA's Public Safety Trust Fund from Treasury as described below.

Market-based Bills: Treasury issues bills at a discount with a maturity date of one year or less. The market-based bills from Treasury are securities purchased from Treasury at a discount. These investments are presented on the Department's *Consolidated Balance Sheets* at acquisition cost, net of amortization of the discount.

The market value of the bills are not recorded on the *Consolidated Balance Sheets* because these investments are expected to be held to maturity. See Note 3, *Investments, Net,* for disclosure of the market value of the bills, which were provided by Treasury.

See Note 22 for more information on NTIA's Public Safety Trust Fund.

I Accounts Receivable, Net

Accounts Receivable are recognized primarily when the Department performs reimbursable services or sells goods. Accounts Receivable are reduced to net realizable value by an Allowance for Uncollectible Accounts, when appropriate for both intragovernmental receivables and other than intragovernmental receivables. This allowance is estimated periodically using methods such as the identification of specific delinquent receivables, and the analysis of aging schedules and historical trends adjusted for current market conditions.

J Advances and Prepayments

Advances are payments the Department has made to cover a part or all of a grant recipient's anticipated expenses, or are advance payments for the cost of goods and services to be acquired. For grant awards, the recipient is required to periodically (for example, quarterly) report the amount of costs incurred, which reduce the advance recorded. Prepayments are payments the Department has made to cover certain periodic expenses before those expenses are incurred, such as subscriptions and rent.

K Loans Receivable, Net

A direct loan is recorded as a receivable after the Department disburses funds to a borrower.

Interest Receivable generally represents uncollected interest income earned on loans. For past-due loans, only up to 180 days of interest income is generally recorded.

Foreclosed Property is acquired primarily through foreclosure and voluntary conveyance, and is recorded at the fair market value at the time of acquisition. Foreclosed Property is adjusted to the current fair market value each fiscal year-end.

Direct Loans and Loan Guarantees Obligated Prior to October 1, 1991 (pre-FY 1992): Loans Receivable are reduced by an Allowance for Loan Losses, which is based on an analysis of each loan's outstanding balance. The value of each receivable, net of any Allowance for Loan Losses, is supported by the values of any pledged collateral and other assets available for liquidation, and by the Department's analysis of financial information of parties against whom the Department has recourse for the collection of these receivables.

Direct Loans and Loan Guarantees Obligated After September 30, 1991 (post-FY 1991): Post-FY 1991 obligated direct loans and loan guarantees and the resulting receivables are governed by the Federal Credit Reform Act of 1990.

For a direct or guaranteed loan disbursed during a fiscal year, a subsidy cost is initially recognized. Subsidy costs are intended to estimate the long-term cost to the U.S. government of its loan programs. The subsidy cost equals the present value of estimated cash outflows over the life of the loan, minus the present value of estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries are not included in the subsidy costs. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, loan origination and other fees, and other cash flows. The Department calculates its subsidy costs based on a model created and provided by OMB.

A Loan Receivable is recorded at the present value of the estimated cash inflows less cash outflows. The difference between the outstanding principal of the loan and the present value of its net cash inflows is recorded as the Allowance for Subsidy Cost. A subsidy reestimate is normally performed annually, as of September 30. The subsidy reestimate takes into account all factors that may have affected the estimated cash flows. Any adjustment resulting from the reestimate is recognized as a subsidy expense (or a reduction in subsidy expense). The portion of the Allowance for Subsidy Cost related to subsidy modifications and reestimates is calculated annually, as of September 30.

The amounts of any downward subsidy reestimates as of September 30 must be disbursed to Treasury in the subsequent fiscal year. Appropriations are normally obtained in the following fiscal year for any upward subsidy reestimates.

L Inventory and Related Property, Net

Inventory, materials, and supplies are stated at the lower of cost or net realizable value under the weighted average method, as well as under other valuation methods that approximate historical cost, and are adjusted for the results of physical inventories. There are no restrictions on their sale, use, or disposition.

M General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment, Net (PP&E) is composed of capital assets used in providing goods or services. General PP&E is stated at full cost, including all costs related to acquisition, delivery, and installation, less Accumulated Depreciation. Acquisitions of General PP&E include assets purchased, or assets acquired through other means such as through transfer in from another federal entity, donation, devise (a will or clause of a will disposing of property), judicial process, exchange between a federal entity and a non-federal entity, and forfeiture. General PP&E also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception.

Capitalization Thresholds:

Single-asset Acquisitions: The Department's policy is to capitalize single-asset acquisitions of General PP&E if the useful life is two years or more and the dollar amount meets the entity's single-asset acquisition capitalization threshold. Based on a Department-wide capitalization thresholds review, which reflects materiality and cost-benefit analyses, the Department's single-asset acquisition capitalization thresholds are as follows: NOAA—$200 thousand or more; NIST—$100 thousand or more; USPTO—$50 thousand or more; and all other bureaus and Departmental Management—$25 thousand or more.

Personal Property Bulk Acquisitions: NOAA has a personal property bulk acquisition capitalization threshold of $1.0 million or more where individual items cost $25 thousand or more but less than $200 thousand; NIST has a personal property bulk acquisition capitalization threshold of $500 thousand or more. All other bureaus and Departmental Management have a personal property bulk acquisition capitalization threshold of $250 thousand or more, except that USPTO has a furniture bulk acquisition capitalization threshold of $50 thousand or more and NTIA's FirstNet has a personal property bulk acquisition capitalization threshold of $150 thousand or more.

General PP&E not meeting the applicable capitalization threshold is expensed.

Depreciation: Depreciation is recognized on a straight-line basis over the estimated useful life of the asset with the exception of leasehold improvements, which are depreciated on a straight-line basis over the remaining life of the lease or over the useful life of the improvement, whichever is shorter. Land, Construction-in-progress, and Internal Use Software in Development are not depreciated.

Construction-in-progress: Costs for the construction, modification, or modernization of General PP&E are initially recorded as Construction-in-progress. The Department's construction-in-progress consists primarily of satellites under development for NOAA, and also includes major laboratory renovations and construction projects under development for NIST. Upon completion of the work, the costs are transferred to the appropriate General PP&E account.

Internal Use Software: Internal Use Software includes purchased commercial off-the-shelf (COTS) software and internally or contractor-developed software solely to meet the Department's internal or operational needs. Internally developed software includes the full cost (direct and indirect cost) incurred during the software development stage. For contractor-developed software, capitalized costs include the costs for the contractor to design, program, install, and implement the software.

Real Property: The U.S. General Services Administration (GSA) provides most of the facilities in which the Department operates, and generally charges rent based on comparable commercial rental rates under operating leases. Accordingly, GSA-owned properties under operating leases are not included in the Department's General PP&E. The Department's real property primarily consists of facilities for NIST and NOAA.

N Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network, Net

This asset captures NTIA's cumulative cost contributions for the buildout and continuing enhancement of the Nationwide Public Safety Broadband Network (NPSBN), less accumulated amortization, as described in Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund*. The cost contributions and continuing enhancements that are recorded as an asset include (a) costs incurred for completed and accepted AT&T contract performance for the buildout and continuing enhancements of the NPSBN under the FirstNet contract with AT&T to buildout, deploy, operate, and maintain the NPSBN; and (b) accrued costs for estimated, unbilled AT&T contract performance progress for buildout and continuing enhancements of the NPSBN.

An asset is recognized primarily because the cost contributions for the buildout/continuing enhancement of the NPSBN embodies (a) future economic benefits to NTIA from AT&T made possible in part by NTIA's cost contributions for the buildout of the NPSBN, as there are expected future revenue streams from AT&T to NTIA; and (b) future expected services to be received by NTIA from AT&T made possible in part by NTIA's buildout and continuing enhancement cost contributions, as AT&T, will buildout, deploy, operate, and maintain the NPSBN, thereby assisting NTIA's FirstNet with achieving its important mission of ensuring the operation and maintenance of the first high-speed, nationwide wireless broadband network dedicated to public safety.

Amortization of the cost contributions for buildout of the NPSBN is recognized for each completed/accepted milestone on a straight-line basis over the remaining time frame of the AT&T contract. Amortization of the cost contributions for a particular continuing enhancement of the NPSBN is recognized on a straight-line basis over the shorter of the performance period of the continuing enhancement or the remaining time frame of the AT&T contract. See Note 22, *Funds from Dedicated Collections*, for information regarding accumulated amortization.

O Liabilities

A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events.

Accounts Payable: Accounts Payable are amounts primarily owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due.

Debt: The Department has borrowed funds from Treasury through the Fisheries Finance Financing Account for various NOAA direct loan programs. To simplify interest calculations, the Fisheries Finance Financing Account borrowings are dated October 1. Interest rates are based on a weighted average of rates during the term of the borrowed funds. The weighted average rate for each cohort's borrowing is recalculated at the end of each fiscal year during which disbursements are made. Annual interest payments on unpaid principal balances as of September 30 are required. Principal repayments are required only at maturity, but are permitted at any time during the term of the borrowing. The Department's primary financing source for repayments of Debt to Treasury is the collection of principal on the associated Loans Receivable. Balances of any borrowed but undisbursed Fisheries Finance Financing Account debt will earn interest at the same rate used in calculating interest expense. The amounts reported for Debt include accrued interest payable. See Note 11, *Debt*, for information regarding maturity dates.

Advances from Others and Deferred Revenue: This liability includes (a) the portion of monies received under customer orders or similar revenue-generating activities for which goods and services have not yet been provided or rendered by the Department—revenue is not recognized until costs are incurred under the accrual accounting concepts; and (b) the deferred revenue portion of FirstNet's annual collection from AT&T under the terms of its contract with AT&T to buildout, deploy, operate, and maintain the NPSBN (see Note 22, *Funds from Dedicated Collections – First Responder Network Authority Fund*, for more information). The intragovernmental liability primarily relates to monies collected under customer orders or similar arrangements. The majority of the other than intragovernmental liability represents patent and trademark application and user fees that are pending action by USPTO.

Liability to General Fund of the U.S. Government for Deficit Reduction: NTIA's Public Safety Trust Fund was created as a result of Section 6413 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). The Act provides funding for specified programs and activities, to be derived from the proceeds of Federal Communications Commission (FCC) auctions of spectrum licenses, to be deposited into the Public Safety Trust Fund. The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1), which was fully completed in September 2015. Priority 8 of the Act specifies that any remaining amounts deposited into the Public Safety Trust Fund shall be deposited in the General Fund of the U.S. government for deficit reduction. The Act further specifies that any amounts remaining in the Public Safety Trust Fund after the end of FY 2022 shall be deposited in the General Fund of the U.S. government for deficit reduction. The Department maintains a liability balance (not covered by budgetary resources) to the General Fund of the U.S. government for the remaining amounts owed for priority 8. As the liability balance increases in a fiscal year, primarily due to transfers in of spectrum auction proceeds from FCC and interest earned on investments that is reinvested, a corresponding use of financing sources is recorded for the fiscal year and is reported on the *Consolidated Statements of Changes in Net Position*. See Note 22, *Funds from Dedicated Collections – NTIA's Public Safety Trust Fund*, for more information.

Custodial Payable: Custodial Payable represents the amount of applicable custodial non-exchange or exchange revenue yet to be transferred to the General Fund of the U.S. government, a trust fund, or other recipient entities. See Note 20, *Custodial Non-exchange Activity,* for information on the Department's custodial non-exchange activity.

Other Liabilities – Employer Contributions and Payroll Taxes Payable: This intragovernmental liability records the employer portion of payroll taxes and benefit contributions, such as retirement, including the Department's contribution to the Thrift Savings Plan, and health and life insurance for covered employees.

Federal Employee Benefits Payable:

Actuarial FECA Liability: Actuarial FECA Liability represents the liability for future workers' compensation (FWC) benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. DOL calculates the actuarial liability for future workers' compensation benefits and reports to each agency its share of the liability on an annual basis.

To provide more specifically for the effects of inflation on the liability for FWC benefits, wage inflation factors (Cost of Living Adjustment) and medical inflation factors (Consumer Price Index – Medical) are applied to the calculation of projected future benefits. The actual rates for these factors are also used to adjust the historical payments to current-year constant dollars.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities, and NOAA Corps Post-retirement Health Benefits Liability: These liabilities are recorded at the actuarial present value of projected benefits, calculated annually, as of September 30. The liability as of September 30, 2022 and 2021 is based on the number of participants as of June 30, 2022 and 2021, respectively. The actuarial cost method used to determine these liabilities is the aggregate entry age normal method. Under this method, the actuarial present value of projected benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of this actuarial present value allocated to the valuation year is called the normal cost. For purposes of calculating the normal cost, certain actuarial assumptions utilized for the actual valuation of the U.S. Military Retirement System are used. Actuarial gains and losses, and prior and past service costs, if any, are recognized immediately in the fiscal year they occur, without amortization. The medical claim rates used for the NOAA Corps Post-retirement Health Benefits Liability actuarial calculations are based on the claim rates used for the U.S. Department of Defense Medicare-Eligible Retiree Health Care Fund actuarial valuations. NOAA Commissioned Officer Corps (NOAA Corps) is one of the Nation's eight uniformed services; therefore, the use of the U.S. Military Retirement System assumptions and U.S. Department of Defense medical claim rates in the calculations of these liabilities is appropriate. Demographic assumptions appropriate to covered personnel are also used. In developing the average historical Treasury rates, a minimum of five years of historical rates as of the reporting date should be used. For the liability balances as of September 30, 2022 and 2021, the discount rate was selected by averaging the quarterly spot yields over the 10-year period ended June 30, 2022 (or June 30, 2021) and determining the single equivalent discount rate that produced the same liability. The specific spot yields used were as of June 30, 2022 (or as of June 30, 2021) and each of the prior 39 calendar quarter-ends, by maturity from 1-year to 100-years. The actuary obtained this spot yield data from the Treasury website for all 40 quarterly yields. For background information about these plans, see Note 1.R, *Employee Retirement Benefits*.

Unfunded Leave: This liability to employees is comprised of unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources.

Environmental and Disposal Liabilities:

Asbestos-related Cleanup Costs: The Department has incurred asbestos-related cleanup costs related to the costs of removing, containing, and/or disposing of asbestos-containing materials from property, plant, and equipment; specifically, from facilities owned by NIST and NOAA, and from ships owned by NOAA. The Department has estimated its liabilities for asbestos-related cleanup costs for both friable and nonfriable asbestos-related cleanup costs. Estimates of asbestos-related cleanup costs are reviewed periodically, and updated as appropriate, to account for actual or estimated increases or decreases in asbestos-containing materials, material changes due to inflation or deflation, and changes in regulations, plans, and/or technology.

Applicable laws and regulations of asbestos-related cleanup requirements for the Department include:

- Asbestos Hazard Emergency Response Act
- Asbestos Information Act
- Asbestos School Hazard Abatement Reauthorization Act
- Clean Air Act
- Toxic Substances Control Act
- U.S. Environmental Protection Agency (EPA) Standards and Rules:
  - National Emission Standards for Hazardous Air Pollutants (40 CFR Part 61)
  - National Emission Standard for Asbestos (40 CFR Part 61, Subpart M)
  - Asbestos Rules (40 CFR Part 763, *Asbestos*)
- Occupational Safety and Health Administration Asbestos Standards:
  - General Industry Standard (29 CFR Part 1910, Subpart 1001, *Asbestos*)
  - Construction Standard (29 CFR Part 1926, Subpart 1101, *Asbestos*)
- Applicable states laws or regulations dependent upon the location of asbestos-related cleanup

Nuclear Reactor: NIST operates a nuclear reactor licensed by the U.S. Nuclear Regulatory Commission, in accordance with NIST's mission of setting standards and examining new technologies. NIST's environmental and disposal liability for the facility is based on the total estimated decommissioning costs of the facility. The liability is calculated in compliance with U.S. Nuclear Regulatory Commission Regulation-1307, Revision 18, *Report on Waste Burial Charges: Changes in Decommissioning Waste Disposal Costs at Low-Level Waste Burial Facilities*, which is intended to provide reasonable assurance that adequate funds for decommissioning will be available when needed. Cost estimate factors (e.g., technology, disposal sites and costs, spent fuel shipment costs, and labor costs) for decommissioning are reviewed annually by NIST, and the annual reviews include an assessment of any changes in cost estimate factors that have occurred since the previous year's review. NIST's estimated total decommissioning costs includes an assumption that an off-site waste disposal facility will become available (estimated in 2029), when needed. Currently, an off-site disposal location has not been identified, and NIST's estimated total decommissioning costs includes an amount approved by the Nuclear Regulatory Commission for off-site waste disposal. Normally, the dollar amount of the liability is updated every three years. The Department estimates the cost of decommissioning the facility to be $78.5 million as of September 30, 2022 and 2021. The total estimated decommissioning cost is being accrued on a straight-line basis over the life of the license to run the reactor, last renewed in 2009; a license lasts for 20 years. Under current legislation, funds to cover the expense of decommissioning the facility's nuclear reactor should be requested in a separate appropriation when the decommissioning date becomes relatively certain.

Other: The Department has incurred cleanup costs related to the costs of removing, containing, and/or disposing of hazardous waste from facilities used by NOAA. The Department has estimated its liabilities for environmental cleanup costs at all NOAA-used facilities, including the decommissioning of ships. The largest of NOAA's environmental liabilities relates to the cleanup of the Pribilof Islands in Alaska, which contains waste from the U.S. Department of Defense's use during World War II. Such cleanup activities are the responsibility of the Department because it became the successor agency of the waste generated from war-related programs. The Department does not recognize a liability for environmental cleanup costs for NOAA-used facilities that are less than $25 thousand per project. When an estimate of cleanup costs includes a range of possible costs, the most likely cost is reported. When no cost is more likely than another, the lowest estimated cost in the range is reported. The liability is reduced as progress payments are made.

The Department may have liabilities associated with lead-based paints at certain NOAA facilities. All known issues are contained and NOAA facilities meet current environmental standards. No cost estimates are presently available because no facilities are currently identified.

Accrued Funded Payroll and Leave: This liability to employees includes funded salaries, wages, annual leave, and other leave that have been earned but are unpaid as of September 30.

Accrued Grant Liabilities: The Department administers a diverse array of financial assistance programs and projects concerned with the entire spectrum of business and economic development efforts that promote activities such as expanding U.S. exports, creating jobs, contributing to economic growth, developing innovative technologies, promoting minority entrepreneurship, protecting coastal oceans, providing weather services, managing worldwide environmental data, and using telecommunications and information technologies to better provide public services. Disbursements of funds under the Department's grant programs are generally made when requested by recipients. These drawdown requests may be fulfilled before recipients make the expenditures under the grant. When the Department has disbursed funds but the recipient has not yet incurred expenses, these disbursements are recorded as advances to the recipient. If a recipient, however, has expenditures under the grant as of September 30 that have not been advanced by the Department as of September 30, such amounts are recorded as grant expenses and Accrued Grants as of September 30.

Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts: This other than intragovernmental liability represents collections held in non-fiduciary deposit funds and held in clearing accounts awaiting disposition, and primarily includes USPTO collections from customers held in a non-fiduciary deposit fund for when the customer has not yet requested a service.

Other Liabilities – Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability:

Per the U.S. Department of Energy:

- Energy Savings Performance Contracts (ESPC) allow federal agencies to conduct energy projects with limited to no up-front capital costs, minimizing the need for Congressional appropriations. An ESPC is a working relationship between an agency and an energy service contractor. The contractor conducts a comprehensive energy audit for the federal facility and identifies improvements to save energy. In consultation with the agency, the contractor designs and constructs a project that meets the agency's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of an ESPC project must be covered by the energy, water, and related cost savings generated at the project site. After the contract ends, any additional cost savings accrue to the agency.

- A Utility Energy Service Contract (UESC) is a limited-source contract between a federal agency and serving utility for energy management services including energy and water efficiency improvements and demand-reduction services. In a UESC, the federal agency will work closely with the utility, to assess potential, investigate technical and economic feasibility, and ensure a fair and reasonable price for design and implementation of the project.

This liability represents the portion of the ESPC/UESC contracts liability that is not covered by budgetary resources as of September 30. See Note 26, *Disclosure Public-Private Partnerships*, for information about a NIST ESPC contract for energy savings improvements for its Gaithersburg, MD campus.

Capital Lease Liabilities: Capital leases are leases for property, plant, and equipment that transfer substantially all the benefits and risks of ownership to the Department. The Department does not have any capital lease liabilities as of September 30, 2022 and 2021.

Contingent Liabilities and Contingencies: A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A contingent liability (included in Other Liabilities) and an expense are recognized when a past event has occurred, and a future outflow or other sacrifice of resources is measurable and probable. A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. For pending or threatened litigation and unasserted claims, a contingency is considered probable when the future confirming event or events are likely to occur. A contingency is disclosed in the *Notes to the Financial Statements* if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred. A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. A contingency is not recognized as a contingent liability and an expense nor disclosed in the *Notes to the Financial Statements* when the chance of the future event or events occurring is remote. A contingency is considered remote when the chance of the future event or events occurring is slight.

Liabilities Not Covered by Budgetary Resources, Liabilities Covered by Budgetary Resources, and Liabilities Not Requiring Budgetary Resources:

The Department's liabilities, all of which are reported on the Department's *Consolidated Balance Sheets*, are further classified into three categories: (a) Liabilities Not Covered by Budgetary Resources; (b) Liabilities Covered by Budgetary Resources; and (c) Liabilities Not Requiring Budgetary Resources.

Liabilities Not Covered by Budgetary Resources

These are liabilities for which actions are needed before budgetary resources can be provided. The Department expects that liabilities not covered by budgetary resources will be funded from future budgetary resources when required. These amounts are detailed by liability in Note 16.

NTIA's Public Safety Trust Fund has assets on hand as of September 30 for its *Liability to General Fund of the U.S. Government for Deficit Reduction*; however, the Department expects that budgetary resources will need to be apportioned by OMB in order for the Public Safety Trust Fund to transfer funds against this liability.

The Department generally receives budgetary resources for the following *Federal Employee Benefits Payable* subcomponents when needed for disbursement: (a) Actuarial FECA Liability; (b) NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities; (c) NOAA Corps Post-retirement Health Benefits Liability; (d) Unfunded Leave; and (e) Other Unfunded Employment-related Liability. Regarding Unfunded Leave, under accrual accounting concepts, the expense and liability for leave is recognized when the leave is earned. For most of the Department's fund groups, however, budgetary resources are not obligated to pay for the leave until the leave is taken by the employee or is paid out to the employee. As a result, budgetary resources do not cover a significant portion of the Department's unpaid leave.

The Department generally receives budgetary resources for its *Environmental and Disposal Liabilities* when needed for disbursements.

The portion of the Department's other than intragovernmental *Advances from Others and Deferred Revenue* liability that is reported as not covered by budgetary resources is mainly comprised of USPTO's patent and trademark application and user fees that are pending action by USPTO. Furthermore, a portion of USPTO's application/user fees pending action is considered covered by budgetary resources—this portion is determined mainly by considering, as covered by budgetary resources, the dollar amount of the application/user fees pending USPTO action for which USPTO has available, unobligated budgetary resources as of September 30, as included in the *SBR*, Status of Budgetary Resources section, *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* line.

Liabilities Covered by Budgetary Resources

These are normally liability balances or a portion thereof for which realized budgetary resources have already been used by the Department as of September 30 for the liability, which is typically carried out by recording a budgetary basis of accounting obligation incurred, as adjusted. For example, an Accounts Payable item will normally also have a corresponding budgetary basis of accounting obligation incurred (delivered) recorded. There is differing treatment in the case of the Advances from Others and Deferred Revenue liability—there are normally available budgetary resources as of September 30 that are considered to cover the liability balance or a portion thereof with budgetary resources.

Liabilities Not Requiring Budgetary Resources

These are the liabilities that are not expected to require the use of budgetary resources, which primarily includes the Department's *Liability for Non-fiduciary Deposit Funds, Undeposited Collections, and Clearing Accounts.*

P Net Position

Net Position is the residual difference between assets and liabilities, and is composed of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations is increased for Appropriations Received, is reduced for Appropriations Used, and is adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department's operations since inception.

Q Revenue and Other Financing Sources

Appropriations Used: The Department receives appropriations (Appropriations Received) from Congress and the President for many of its annual, multiple-fiscal year, and no-year accounts. Upon expiration of annual or multiple-fiscal year accounts, the obligated and unobligated balances retain their fiscal year identity and are maintained separately within an expired account. The unobligated balances may be able to be used to make legitimate obligation adjustments as appropriate, but are generally otherwise not available for obligation. Annual and multiple-fiscal year accounts are canceled at the end of the fifth fiscal year after expiration. No-year accounts do not expire. Appropriations Received are recognized as used when costs are incurred that require the use of appropriations, for example, when goods or services are received. There are instances of costs incurred for which appropriations are not required to be used or are not immediately required to be used. For example, depreciation and amortization expense does not require the use of appropriations and accrued environmental and disposal cleanup costs that do not immediately require the use of appropriations.

Exchange and Non-exchange Revenue: The Department classifies revenue as either exchange revenue or non-exchange revenue. Exchange revenue is derived from transactions in which both the federal government and the other party receive value, including processing patents and registering trademarks, the sale of weather data, nautical charts, and navigation information, reimbursable revenue, and other sales of goods and services. Exchange revenue is presented in the Department's *Consolidated Statements of Net Cost*. Non-exchange revenue is derived from the federal government's sovereign right to demand payment; and, for example, includes revenue of NOAA's Damage Assessment and Restoration Revolving Fund as reported and described in Note 22, *Funds from Dedicated Collections*. Non-exchange revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, and to the extent that collection is probable and the amount is reasonably estimable. Non-exchange revenue is not considered to reduce the cost of the Department's operations and is therefore reported in the *Consolidated Statements of Changes in Net Position*.

In certain cases, law or regulation sets the prices charged by the Department, and, for program and other reasons, the Department may not receive full cost (e.g., the processing of patents and registering of trademarks, and the sale of weather data, nautical charts, and navigation information). Prices set for products and services offered through the Department's working capital funds are intended to recover the full costs incurred by these activities.

Imputed Financing (and related Imputed Costs): Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Department are included as imputed costs in the *Consolidating Statements of Net Cost*, and are offset by imputed financing sources from cost absorbed by others (non-exchange) included in the *Consolidating Statements of Changes in Net Position*. Such imputed costs and imputed financing relate to (a) certain employee retirement benefit programs paid for in part by the U.S. Office of Personnel Management (OPM)—CSRS, FERS, FEHB, and FEGLI (also see Note 1.R below); (b) claims to be paid for by the Judgment Fund maintained by Treasury (also see Note 17, *Commitments and Contingencies*); and (c) business-type activities, which are defined in the accounting standards as "a significantly self-sustaining activity that finances its continuing cycle of operations through collection of exchange revenue." However, unreimbursed costs of goods and services other than those identified above are not included in the Department's financial statements.

Transfers In/(Out): Intragovernmental transfers, for example, of budgetary resources, or of assets without reimbursement that are recorded at book value, are reported in the *Consolidated Statements of Changes in Net Position*.

R Employee Retirement Benefits

Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS): Most employees of the Department participate in either the CSRS or FERS defined-benefit pension plans. FERS went into effect on January 1, 1987. FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 could elect to either join FERS and Social Security, or remain in CSRS.

The Department is not responsible for and does not report CSRS or FERS assets, accumulated plan benefits, or liabilities applicable to its employees. OPM, which administers the plans, is responsible for and reports these amounts.

For CSRS-covered regular employees, the Department was required to make contributions to the plan equal to 7 percent of an employee's basic pay. Employees contributed 7 percent of basic pay. For each fiscal year, OPM calculates the U.S. government's service cost for covered employees, which is an estimate of the amount of funds, that, if accumulated annually and invested over an employee's career, would be enough to pay that employee's future benefits. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan is not fully funded by the Department and its employees. The Department, excluding USPTO, has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees. USPTO is required to make supplemental employer payments to OPM for CSRS, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

FERS Contribution Rates for Regular Employees (Effective October 1, 2021)

FERS		FERS-RAE (Revised Annuity Employees)		FERS-FRAE (Further Revised Annuity Employees)	
Hired prior to January 1, 2013		Hired between December 31, 2012 – December 31, 2013		Hired after December 31, 2013	
Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage	Employee Percentage	Agency Percentage
0.8%	18.4%	3.1%	16.6%	4.4%	16.6%

For each fiscal year, OPM calculates the U.S. government's service cost for covered employees. Since the U.S. government's estimated service cost exceeds contributions made by employer agencies and covered employees, this plan was not fully funded by the Department and its employees. The Department has recognized an imputed cost, and an imputed financing source from cost absorbed by others, for the difference between the estimated service cost and the contributions made by the Department and its covered employees.

Employees participating in FERS are covered under the Federal Insurance Contributions Act, for which the Department contributes a matching amount to the Social Security Administration.

NOAA Corps Retirement System and NOAA Corps Blended Retirement System: Active-duty officers of the NOAA Corps are covered by the legacy NOAA Corps Retirement System or the new NOAA Corps Blended Retirement System (BRS). The NOAA Corps Retirement System and the defined benefit portion of the NOAA Corps BRS is an unfunded, defined benefit plan administered by the Department with the same features; participants do not contribute to the defined benefit plan for both of these retirement systems. Plan benefits are based primarily on years of service and compensation. Total participants for the two plans, as of June 30, 2022, included 327 active duty officers, 403 non-disability retiree annuitants, 19 disability retiree annuitants, and 67 surviving families. Key provisions include voluntary non-disability retirement after 20 years of active service, disability retirement, optional survivor benefits, Consumer Price Index (CPI) optional survivor benefits, and CPI adjustments for benefits.

The NOAA Corps BRS began on January 1, 2018 and is a retirement plan that was implemented for members of the Uniformed Services, including NOAA Corps active-duty officers. This retirement system blends together the defined benefits of the legacy NOAA Corps Retirement System along with automatic and matching contributions to the Thrift Savings Plan (TSP) and a mid-career continuation pay bonus. All new hires on January 1, 2018 and after will automatically be enrolled into the NOAA Corps BRS. For those NOAA Corps active-duty officers with fewer than 12 years of service on December 31, 2017, there was an opportunity to opt into the NOAA Corps BRS at any time during calendar year 2018. NOAA Corps BRS will not only continue to award those who are vested at 20 years, but will allow service members who choose to depart early to leave with some retirement savings.

Foreign Service Retirement and Disability System, and the Foreign Service Pension System: Foreign Commercial Officers are covered by the Foreign Service Retirement and Disability System and the Foreign Service Pension System. ITA makes contributions to the systems based on a percentage of an employee's pay. Both systems are multi-employer plans administered by the U.S. Department of State. The Department is not responsible for and does not report plan assets, accumulated plan benefits, or liabilities applicable to its employees. The U.S. Department of State, which administers the plan, is responsible for and reports these amounts.

Thrift Savings Plan (TSP): Employees covered by CSRS, FERS, and NOAA Corps BRS are eligible to contribute to the U.S. government's TSP, administered by the Federal Retirement Thrift Investment Board. The Department makes no matching contributions for CSRS-covered employees. A TSP account is automatically established for FERS-covered employees and NOAA Corps BRS members, and the Department makes a mandatory contribution of one percent of basic pay upon eligibility. The Department also makes matching contributions of up to four percent of basic pay upon eligibility for FERS-covered employees and NOAA Corps BRS members. NOAA Corps BRS members entering service on or after January 1, 2018 will not begin receiving matching contributions until after completing two years of service.

Federal Employees Health Benefit (FEHB) Program: Most Departmental employees are enrolled in the FEHB Program, which provides post-retirement health benefits. OPM administers this program and is responsible for the reporting of liabilities. Employer agencies, excluding USPTO, and covered employees are not required to make any contributions for post-retirement health benefits. OPM calculates the U.S. government's service cost for covered employees each fiscal year. The Department, excluding USPTO, has recognized the entire service cost of these post-retirement health benefits for covered employees as an imputed cost, and an imputed financing source from cost absorbed by others. USPTO is required to make supplemental employer payments to OPM for the FEHB Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

NOAA Corps Post-retirement Health Benefits: Active-duty officers of the NOAA Corps are covered by the health benefits program for the NOAA Corps, which provides post-retirement health benefits. This is a pay-as-you-go plan administered by the Department. Participants do not make any contributions to this plan.

Federal Employees' Group Life Insurance (FEGLI) Program: Most Department employees are entitled to participate in the FEGLI Program. Participating employees can obtain basic term life insurance, with the employee paying two-thirds of the cost and the Department paying one-third. Additional coverage is optional, to be paid fully by the employee. The basic life coverage may be continued into retirement if certain requirements are met. OPM administers this program and is responsible for the reporting of liabilities. For each fiscal year, OPM calculates the U.S. government's service cost for the post-retirement portion of basic life coverage. Because the Department's contributions to the basic life coverage are fully allocated by OPM to the pre-retirement portion of coverage, the Department, excluding USPTO, has recognized the entire service cost of the post-retirement portion of basic life coverage as an imputed cost and an imputed financing source from cost absorbed by others. USPTO is required to make supplemental employer payments to OPM for the FEGLI Program, per annual USPTO appropriation provisions. The supplemental employer payments as a result reduce the dollar amount of USPTO imputed costs and related imputed financing source from costs absorbed by others.

S Use of Estimates

The preparation of financial statements requires the Department to make estimates and assumptions that affect these financial statements. Actual results may differ from those estimates.

T Tax Status

The Department is not subject to federal, state, or local income taxes. Accordingly, no provision for income taxes is recorded.

U Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government, and are not recognized on the Balance Sheet, and are assets of a non-federal party for which the federal government is responsible.

The Department's fiduciary activities consist of the following:

The Patent Cooperation Treaty authorizes USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Russian Intellectual Property Organization, Israeli Patent Office, Japanese Patent Office, Intellectual Property Office of Singapore, and Australian Patent Office from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorizes USPTO to collect trademark application fees on behalf of the International Bureau of WIPO from U.S. citizens requesting an international trademark. These fiduciary activities are reported in Note 21, *Fiduciary Activities*.

V Disclosure Public-Private Partnerships

FASAB's SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, establishes principles to ensure that disclosures about applicable public-private partnerships (P3s) are presented in the Department's notes to the financial statements. The principles guide financial reporting disclosure by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure. The standard exempts certain arrangements or transactions from the P3 disclosure requirements, as such exempt arrangements or transactions are subject to existing disclosure requirements in other accounting standards.

For purposes of SFFAS 49, the standard sets forth the definition of the private sector as follows:

> "For purposes of this statement, the private sector refers to individuals and entities acting in their private capacities outside of the authority and control of federal, state, or local governments and encompasses for-profit businesses and non-profit organizations that are outside of the authority and control of federal, state or local governments."

The standard provides for first determining those arrangements or transactions that are excluded from the provisions of SFFAS 49 before proceeding to the standard's federal P3 definition for purposes of SFFAS 49, subject to exclusions, as follows:

> "…federal public-private partnerships (P3s) are risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities. Such arrangements or transactions provide a service or an asset for government and/or general public use where in addition to the sharing of resources, each party shares in the risks and rewards of said arrangements or transactions. A public sector entity shares risks and rewards with a private sector entity whenever the benefits of the arrangement or transaction accrue to both the private sector entity and the public sector entity and (1) the public sector entity is at risk of loss, or (2) the private sector entity's ability to perform is at risk and success of the arrangement or transaction depends upon the public sector's intervention."

Arrangements or transactions meeting the P3 definition are then evaluated against four risk-based characteristics referred to as "Conclusive Characteristics." Should the arrangement or transaction not meet any one of the Conclusive Characteristics required for disclosure, the arrangement or transaction should then be evaluated against five "Suggestive Characteristics" before concluding whether disclosure is required. If an arrangement or transaction warrants reporting, the disclosures should be provided.

Lastly, the standard helps achieve the operating performance and budgetary integrity objectives outlined in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*, by making P3s more understandable. P3 information is important to meeting these objectives because the federal government is accountable to citizens for the proper administration of its resources. Moreover, because P3s are a form of investment, they should be adequately disclosed in order to assist report users in determining: (a) the important assets of the U.S. government and how effectively they are being managed; and (b) the identification of risks.

The Department performs evaluations annually to determine if there are any arrangements or transactions that should be included in the Department's financial reporting disclosure for P3s. See Note 26 for information for the three P3s identified for disclosure.

W Reclassification of FY 2021 Information

Certain reclassifications have been made to the FY 2021 financial statements and notes to better align with the Department's financial reporting policies and procedures effective in FY 2022, in accordance with OMB Circular A-136 Revised. The lines of the *Consolidated Balance Sheets* have been revised to reflect more detail for certain previous line items, as required for all significant federal reporting entities by OMB Circular A-136 Revised. These revisions do not affect totals for assets, liabilities, or net position and are intended to better communicate to readers how the amounts shown are reflected on the Balance Sheets of the U.S. government, thereby supporting the preparation and audit of the annual *Financial Report of the U.S. Government*. The presentation of the *Consolidated Balance Sheet* as of September 30, 2021 was reclassified to be consistent with the presentation as of September 30, 2022.

Note 2. Fund Balance with Treasury

Fund Balance with Treasury, by status, is as follows as of September 30, 2022 and 2021:

	FY 2022	FY 2021
Reduction of Budgetary Resources		
Not Available		
NTIA Digital Television Transition and Public Safety Fund	$ 8,810,399	$ 8,810,399
Other	909	–
Temporarily Precluded from Obligation		
NTIA Public Safety Trust Fund	12,185,109	–
USPTO Salaries and Expenses Fund	790,086	790,086
Temporary Reduction		
USPTO Salaries and Expenses Fund	147,733	147,733
Other	20,524	21,414
Unobligated Balance		
Available		
Census Bureau Periodic Censuses and Programs Fund	95,025	673,328
EDA Economic Development Assistance Program Fund	91,509	3,190,336
NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund	18,993,477	–
NOAA Operations, Research, and Facilities Fund	738,719	244,819
NOAA Procurement, Acquisition, and Construction Fund	612,570	327,970
NTIA Broadband Connectivity Fund	1,638,094	1,288,700
NTIA Broadband Equity, Access, and Development Program Fund	42,371,186	–
NTIA Digital Equity Fund	530,202	–
NTIA Middle Mile Deployment Fund	991,063	–
USPTO Salaries and Expenses Fund	980,431	683,646
Other	2,538,206	1,871,007
Total Unobligated Balance, Available	69,580,482	8,279,806
Unavailable		
NIST Industrial Technology Services Fund	4,510,640	–
NOAA Operations, Research, and Facilities Fund	2,917,094	101,939
NOAA Procurement, Acquisition, and Construction Fund	537,868	16,834
Other	1,232,289	223,988
Total Unobligated Balance, Unavailable	9,197,891	342,761
Obligated Balance Not Yet Disbursed		
Census Bureau Periodic Censuses and Programs Fund	460,307	629,436
EDA Economic Development Assistance Programs Fund	5,355,145	2,840,432
NOAA Operations, Research, and Facilities Fund	2,910,050	2,563,593
NOAA Procurement, Acquisition, and Construction Fund	2,499,003	2,538,827
NTIA Broadband Connectivity Fund	1,633,437	6,991
NTIA Network Construction Fund	476,984	1,432,234
USPTO Salaries and Expenses Fund	834,810	802,481
Other	2,604,538	2,922,471
Total Obligated Balance Not Yet Disbursed	16,774,274	13,736,465
Non-budgetary		
USPTO Patent and Trademark Surcharge Fund	233,529	233,529
Deposit Funds, and General Fund Receipt Accounts	179,249	168,420
Total	$ 117,920,185	$ 32,530,613

Fund Balance with Treasury for the NTIA Public Safety Trust Fund as of September 30, 2022 includes the proceeds of $12.19 billion from the Fund's investments in federal securities that matured in September 2022.

See Note 19, *Combined Statements of Budgetary Resources*, for (a) legal arrangements affecting the Department's use of Fund Balance with Treasury for FY 2022 and FY 2021; (b) information about NTIA's Broadband Equity, Access, and Development Program Fund, including significant new appropriations received in FY 2022 of $42.45 billion and (c) information about NIST's Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund, including significant new appropriations received in FY 2022 of $24.00 billion.

See Note 22, *Funds from Dedicated Collections*, for more information regarding the NTIA Digital Television Transition and Public Safety Fund, the USPTO Salaries and Expenses Fund, the NTIA Network Construction Fund, and the USPTO Patent and Trademark Surcharge Fund.

For FY 2022 budgetary financial information for the Census Bureau Periodic Censuses and Programs Fund; EDA Economic Development Assistance Programs Fund; NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund; NOAA Operations, Research, and Facilities Fund; NOAA Procurement, Acquisition, and Construction Fund; NTIA Broadband Connectivity Fund, and NTIA Broadband Equity, Access, and Deployment Program Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited).

Note 3. Investments, Net

The NTIA Public Safety Trust Fund's investments in federal securities matured in September 2022 and the proceeds of $12.19 billion are included in the Fund Balance with Treasury asset as of September 30, 2022.

FY 2021							
Investments in Federal Securities	Cost/ Acquisition Value	Amortization Method	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Unrealized Gain/(Loss)	Market Value
Intragovernmental							
Non-marketable							
Market-based Bills	$ 12,155,065	Interest Method	$ 1,668	$ –	$ 12,156,733	$ –	$ 12,156,305
Total	$ 12,155,065		$ 1,668	$ –	$ 12,156,733	$ –	$ 12,156,305

Note 4. Accounts Receivable, Net

FY 2022	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 115,676	$ –	$ 115,676
Other than Intragovernmental	$ 67,329	$ (47,990)	$ 19,339

FY 2021	Accounts Receivable, Gross	Allowance for Uncollectible Accounts	Accounts Receivable, Net
Intragovernmental	$ 97,425	$ –	$ 97,425
Other than Intragovernmental	$ 69,265	$ (46,524)	$ 22,741

Note 5. Cash and Other Monetary Assets

	FY 2022	FY 2021
Cash Not Yet Deposited with Treasury	$ 10,473	$ 11,418
Imprest Funds	406	436
Other Cash	156	191
Total	$ 11,035	$ 12,045

Cash Not Yet Deposited with Treasury primarily represents patent and trademark fees that were not processed as of September 30, 2022 and 2021, due to the lag time between receipt and initial review. Certain bureaus maintain imprest funds for operational necessity, such as law enforcement activities and for environments that do not permit the use of electronic payments.

Note 6. Loans Receivable, Net

The Department operates the following direct loan and loan guarantee programs as of September 30, 2022:

Direct Loan Programs:	
NOAA	Alaska Purse Seine Fishery Buyback Loans
NOAA	Bering Sea and Aleutian Islands Non-Pollock Buyback Loans
NOAA	Bering Sea Pollock Fishery Buyback
NOAA	Coastal Energy Impact Program (CEIP)
NOAA	Community Development Quota (CDQ) Loan Program[1]
NOAA	Crab Buyback Loans
NOAA	Federal Gulf of Mexico Reef Fish Buyback Loans
NOAA	Fisheries Finance Individual Fishing Quota (IFQ) Loans
NOAA	Fisheries Finance Traditional Loans
NOAA	Fisheries Loan Fund
NOAA	New England Groundfish Buyback Loans[1]
NOAA	New England Lobster Buyback Loans[1]
NOAA	Pacific Groundfish Buyback Loans
Loan Guarantee Program:	
NOAA	Fishing Vessel Obligation Guarantee Program[2]

[1] *No loans have been issued under these programs as of September 30, 2022.*

[2] *There are no current guaranteed loans for this program as of September 30, 2022.*

NOAA's Fisheries Finance Loan programs provide direct loans for certain fisheries costs, including vessels, shoreside facilities, aquaculture, and Individual Fishing Quota. Vessel financing is available for the purchase of used vessels or the reconstruction of vessels. Refinancing is available for existing debt obligations. The purpose of these loan programs is to contribute to stable fisheries and fishing communities, and ensure that fisheries are sustainable economic resources. NOAA's various buyback loan programs address excess fishing capacity which decreases fisheries earnings, complicates fisheries management, and imperils fisheries conservation. Buyback loans are issued to fisheries to permanently remove vessels and/or permits and thus lower fishing effort in overcapitalized fisheries. Loans are repaid from fees collected on the ex-vessel value of the catch in the fishery.

The net assets for the Department's loan programs consist of:

	FY 2022	FY 2021
Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method	$ 3,031	$ 3,178
Direct Loans Obligated After FY 1991	369,224	371,386
Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees, Allowance for Loss Method	4	4
Total	$ 372,259	$ 374,568

Direct Loans Obligated Prior to FY 1992, Allowance for Loss Method:

FY 2022

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Direct Loans, Net
CEIP	$ 16,296	$ 5,175	$ (18,440)	$ 3,031
Fisheries Loan Fund	69	14	(83)	–
Total	$ 16,365	$ 5,189	$ (18,523)	$ 3,031

FY 2021

Direct Loan Program	Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Direct Loans, Net
CEIP	$ 16,444	$ 5,033	$ (18,299)	$ 3,178
Fisheries Loan Fund	68	15	(83)	–
Total	$ 16,512	$ 5,048	$ (18,382)	$ 3,178

Direct Loans Obligated After FY 1991:

FY 2022

Direct Loan Program	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	$ 16,446	$ 23	$ 1,749	$ 18,218
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	23,741	66	2,799	26,606
Crab Buyback Loans	55,978	1,411	9,586	66,975
Fisheries Finance IFQ Loans	14,432	104	1,051	15,587
Fisheries Finance Traditional Loans	216,725	876	12,884	230,485
Pacific Groundfish Buyback Loans	10,485	17	851	11,353
Total	$ 337,807	$ 2,497	$ 28,920	$ 369,224

FY 2021

Direct Loan Program	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	Direct Loans, Net
Alaska Purse Seine Fishery Buyback Loans	$ 18,096	$ 18	$ 2,138	$ 20,252
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	25,448	70	3,143	28,661
Crab Buyback Loans	55,979	538	8,972	65,489
Fisheries Finance IFQ Loans	13,797	107	807	14,711
Fisheries Finance Traditional Loans	213,469	800	14,993	229,262
Pacific Groundfish Buyback Loans	11,951	17	1,043	13,011
Total	$ 338,740	$ 1,550	$ 31,096	$ 371,386

Total Amount of Direct Loans Disbursed (Post-FY 1991):

Direct Loan Program	FY 2022	FY 2021
Fisheries Finance IFQ Loans	$ 2,792	$ 3,171
Fisheries Finance Traditional Loans	68,588	82,923
Total	$ 71,380	$ 86,094

Subsidy Expense for Direct Loan Programs by Component:

Subsidy Expense for New Direct Loans Disbursed:

FY 2022					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (693)	$ 12	$ (23)	$ 331	$ (373)
Fisheries Finance Traditional Loans	(11,288)	436	(392)	5,003	(6,241)
Total	$ (11,981)	$ 448	$ (415)	$ 5,334	$ (6,614)

FY 2021					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Fisheries Finance IFQ Loans	$ (732)	$ 19	$ (26)	$ 401	$ (338)
Fisheries Finance Traditional Loans	(12,806)	555	(472)	5,955	(6,768)
Total	$ (13,538)	$ 574	$ (498)	$ 6,356	$ (7,106)

Reestimates:

	FY 2022	FY 2021
Direct Loan Program	Technical Reestimates	Technical Reestimates
Alaska Purse Seine Fishery Buyback Loans	$ 250	$ 46
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(21)	110
Crab Buyback Loans	(626)	1,625
Fisheries Finance IFQ Loans	(163)	164
Fisheries Finance Traditional Loans	3,485	13,112
Pacific Groundfish Buyback Loans	(9)	(79)
Total	$ 2,916	$ 14,978

Total Direct Loan Subsidy Expense:

Direct Loan Program	FY 2022	FY 2021
Alaska Purse Seine Fishery Buyback Loans	$ 250	$ 46
Bering Sea and Aleutian Islands Non-Pollock Buyback Loans	(21)	110
Crab Buyback Loans	(626)	1,625
Fisheries Finance IFQ Loans	(536)	(174)
Fisheries Finance Traditional Loans	(2,756)	6,344
Pacific Groundfish Buyback Loans	(9)	(79)
Total	$ (3,698)	$ 7,872

Subsidy Rates for Direct Loans by Program and Component:

Budget Subsidy Rates for Direct Loans for the Current Fiscal-year's Cohorts:

FY 2022					
Direct Loan Program	Interest Differential	Defaults	Fees and Other Collections	Other	Total
Community Development Quota (CDQ) Loan Program	(22.72) %	0.65 %	(0.58) %	10.51 %	(12.14) %
Fisheries Finance IFQ Loans	(26.08) %	0.30 %	(0.84) %	11.35 %	(15.27) %
Fisheries Finance Traditional Loans	(17.28) %	0.62 %	(0.58) %	6.87 %	(10.37) %

The budget subsidy rates disclosed pertain only to the reporting period's cohorts. These rates cannot be applied to the new disbursements of direct loans during the reporting period to yield the subsidy expense. The subsidy expense for new disbursements of direct loans for the reporting period could result from disbursements of loans from both the reporting period's cohorts and prior fiscal years' cohorts. The subsidy expense for the reporting period may also include modifications and reestimates.

Schedule for Reconciling Subsidy Cost Allowance Balances (Post-FY 1991 Direct Loans):

	FY 2022	FY 2021
Beginning Balance of the Subsidy Cost Allowance	$ 31,096	$ 34,598
Add Total Subsidy Expense for Direct Loans Disbursed During the Reporting Years	6,614	7,106
Adjustments:		
Fees Received	(266)	(317)
Loans Written Off	(29)	15,627
Subsidy Allowance Amortization	(5,579)	(10,940)
Ending Balance of the Subsidy Cost Allowance Before Reestimates	31,836	46,074
Add or Subtract Total Subsidy Reestimates	(2,916)	(14,978)
Ending Balance of the Subsidy Cost Allowance	$ 28,920	$ 31,096

Defaulted Guaranteed Loans from Pre-FY 1992 Guarantees, Allowance for Loss Method:

FY 2022				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Fishing Vessel Obligation Guarantee Program	$ 7,318	$ 1	$ (7,315)	$ 4

FY 2021				
Loan Guarantee Program	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans Receivable, Net
Fishing Vessel Obligation Guarantee Program	$ 7,318	$ 1	$ (7,315)	$ 4

Administrative Expenses:

Administrative expenses in support of the Department's direct loan and loan guarantee programs consist of:

Direct Loan Program	FY 2022	FY 2021
NOAA Direct Loan Programs	$ 3,355	$ 3,723

Loan Guarantee Program	FY 2022	FY 2021
Fishing Vessel Obligation Guarantee Program	$ 72	$ 79

Loans Receivable, Net:

	FY 2022	FY 2021
Beginning Balance of Loans Receivable, Net	$ 374,568	$ 394,200
Add Loan Disbursements	71,380	86,094
Less Principal and Interest Payments Received	(71,542)	(87,116)
Less Fees Received	(266)	(317)
Less Loans Written Off	–	519
Add Subsidy Expense	6,614	7,106
Add Upward Reestimates	(3,735)	(15,057)
Less Downward Reestimates	819	79
Less Subsidy Allowance	(5,579)	(10,940)
Ending Balance of Loans Receivable, Net	$ 372,259	$ 374,568

Note 7. Inventory and Related Property, Net

Category	Cost Flow Assumption	FY 2022	FY 2021
Inventory			
Items Held for Current Sale			
NIST Standard Reference Materials	Other[1]	$ 25,199	$ 26,554
Other	Historical	3	3
Total Inventory, Net		25,202	26,557
Materials and Supplies			
Items Held for Use			
NOAA's National Logistics Support Center	Weighted-average	48,058	46,492
Census Bureau	Other[1]	27,024	19,774
Other	Various	6,332	6,289
Items Held for Repair			
NOAA's National Reconditioning Center	Weighted-average	34,326	33,118
Allowance for Excess, Obsolete, and Unserviceable Items		(12,172)	(11,080)
Total Materials and Supplies, Net		103,568	94,593
Total		$ 128,770	$ 121,150

[1] *Other valuation method that approximates historical cost*

NIST's Standard Reference Materials Program provides reference materials for quality assurance of measurements, while NOAA's Materials and Supplies are primarily repair parts for weather forecasting equipment. Items held for repair are valued at the direct method. The cost of items held in repair is the issue cost, which is the weighted average of the procurement costs adjusted by the cost to repair the item.

Note 8. General Property, Plant, and Equipment, Net

FY 2022				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,088	$ –	$ 16,088
Structures, Facilities, and Leasehold Improvements	2-30	3,026,314	(1,399,725)	1,626,589
Satellites/Weather Systems Personal Property	2-25	15,085,253	(9,622,591)	5,462,662
Internal Use Software	3-20	2,239,027	(1,770,298)	468,729
Other Personal Property	3-30	2,172,065	(1,605,557)	566,508
Construction-in-progress	N/A	7,197,844	–	7,197,844
Internal Use Software in Development	N/A	114,317	–	114,317
Total		$ 29,850,908	$ (14,398,171)	$ 15,452,737

FY 2021				
Category	Useful Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 16,088	$ –	$ 16,088
Structures, Facilities, and Leasehold Improvements	2-30	2,966,151	(1,307,088)	1,659,063
Satellites/Weather Systems Personal Property	2-25	15,128,448	(8,735,830)	6,392,618
Internal Use Software	4-20	2,736,038	(1,922,595)	813,443
Other Personal Property	3-30	2,221,436	(1,605,133)	616,303
Construction-in-progress	N/A	6,309,486	–	6,309,486
Internal Use Software in Development	N/A	99,965	–	99,965
Total		$ 29,477,612	$ (13,570,646)	$ 15,906,966

Schedule for Reconciling General PP&E, Net

	FY 2022	FY 2021
Balance, Beginning of Year	$ 15,906,966	$ 16,292,468
Capitalized Acquisitions		
Intragovernmental	3,032	12,881
Other than Intragovernmental	1,366,072	1,183,916
Total Capitalized Acquisitions	1,369,104	1,196,797
Dispositions	(285,978)	(20,993)
Revaluations	–	15,688
Depreciation Expense	(1,537,355)	(1,577,084)
Other	–	90
Balance, End of Year	$ 15,452,737	$ 15,906,966

Note 9. Other Assets

	FY 2022	FY 2021
Other than Intragovernmental		
Bibliographic Database, Net	$ 223	$ 567
General PP&E Permanently Removed but Not Yet Disposed	1,633	1,968
Other	9,985	5,792
Total	$ 11,841	$ 8,327

The Bibliographic Database relates to NTIS scientific and technical information used to prepare products and services for sale. The database did not incur any additions this fiscal year and is therefore stated at its capitalized costs of $78.2 million, less accumulated amortization of $78.0 million and $77.6 million, as of September 30, 2022 and 2021, respectively.

Note 10. Non-entity Assets

The assets that are not available for use in the Department's operations, included in the Department's *Consolidated Balance Sheets*, are summarized below:

	FY 2022	FY 2021
Intragovernmental		
Fund Balance with Treasury	$ 12,341,124	$ 138,200
Investments, Net	–	12,156,733
Total Intragovernmental	12,341,124	12,294,933
Other than Intragovernmental		
Cash	3,436	4,433
Accounts Receivable, Net	181	482
Other	4	4
Total Non-entity Assets	12,344,745	12,299,852
Total Entity Assets	127,572,391	54,478,323
Total Assets	$ 139,917,136	$ 66,778,175

Note 11. Debt

FY 2022			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 387,088	$ (14,606)	$ 372,482

Maturity dates range from September 2026 to September 2052, and interest rates range from 0.76 to 6.13 percent.

FY 2021			
Loan Program	Beginning Balance	Net Borrowings (Repayments)	Ending Balance
Direct Loan Program			
Fisheries Finance, Financing Account	$ 388,069	$ (981)	$ 387,088

Note 12. Other Liabilities

FY 2022			
	Current Portion	Non-current Portion	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ 102,677	$ –	$ 102,677
Other	45,460	7,504	52,964
Total	$ 148,137	$ 7,504	$ 155,641
Other than Intragovernmental			
Contingent Liabilities (Note 17)	$ 27,700	$ –	$ 27,700
Other Liabilities Without Related Budgetary Obligations			
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	4,431	63,340	67,771
Other	2	–	2
Other Liabilities With Related Budgetary Obligations	300	–	300
Total	$ 32,433	$ 63,340	$ 95,773
Total Other Liabilities	$ 180,570	$ 70,844	$ 251,414

FY 2021			
	Current Portion	Non-current Portion	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ 91,588	$ –	$ 91,588
Other	46,644	6,962	53,606
Total	$ 138,232	$ 6,962	$ 145,194
Other than Intragovernmental			
Contingent Liabilities (Note 17)	$ 3,627	$ –	$ 3,627
Other Liabilities Without Related Budgetary Obligations			
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	9,982	60,693	70,675
Other	3	–	3
Other Liabilities With Related Budgetary Obligations	57	–	57
Total	$ 13,669	$ 60,693	$ 74,362
Total Other Liabilities	$ 151,901	$ 67,655	$ 219,556

As of September 30, 2022 and 2021, the Current Portion represents liabilities expected to be paid by September 30, 2023 and 2022, respectively, while the Non-current Portion represents liabilities expected to be paid after September 30, 2023 and 2022, respectively.

Note 13. Federal Employee Benefits Payable

	FY 2022	FY 2021
Actuarial FECA Liability	$ 144,380	$ 173,792
NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities	988,800	824,300
NOAA Corps Post-retirement Health Benefits Liability	51,100	51,100
Unfunded Leave	413,017	431,591
Other Unfunded Employment-related Liability[1]	85,141	88,560
Employer Contributions and Payroll Taxes Payable	5,638	5,199
Other	–	–
Total	$ 1,688,076	$ 1,574,542

[1] *Amounts reported for this table line include $74.8 million and $76.7 million of accrued unfunded payroll as of September 30, 2022 and 2021, respectively.*

Actuarial FECA Liability:

Actuarial FECA liability is calculated annually, as of September 30. For discounting projected annual future benefit payments to present value, the interest rate assumptions used by DOL for the September 30, 2022 and 2021 actuarial calculations were as follows:

	FY 2022	FY 2021
For Wage Benefits: Year 1 and Thereafter	2.12%	2.23%
For Medical Benefits: Year 1 and Thereafter	1.97%	2.06%

The wage inflation factors (Cost of Living Adjustment) and medical inflation factors (Consumer Price Index – Medical) applied to the calculation of projected future benefits, and also used to adjust the methodology's historical payments to current-year constant dollars, were as follows:

FY 2022		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index – Medical
2023	3.37%	3.13%
2024	3.97%	3.62%
2025	4.10%	3.55%
2026	4.16%	3.84%
2027	3.91%	4.20%

FY 2021		
Fiscal Year	Cost of Living Adjustment	Consumer Price Index – Medical
2022	2.11%	3.14%
2023	2.48%	3.55%
2024	2.55%	3.96%
2025	2.62%	3.89%
2026	2.68%	4.19%

NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

These liabilities represent the unfunded actuarial present value of projected plan benefits. The actuarial calculations are performed annually, as of September 30. The September 30, 2022 and 2021 actuarial calculations used the following economic assumptions:

	FY 2022	FY 2021
Discount Rate	2.79%	2.87%
Annual Basic Pay Scale Increases	2.09%	1.98%
Annual Inflation	2.61%	1.82%
Cost of Living Adjustment	2.61%	1.82%

Schedule for Reconciling NOAA Corps Retirement System and NOAA Corps Blended Retirement System Liabilities:

A reconciliation from the beginning balance to the ending balance, including the components of the related pension costs included in the *Consolidated Statements of Net Cost*, follows:

	FY 2022	FY 2021
Beginning Balance	$ 824,300	$ 749,400
Add Pension Costs:		
Normal Cost	19,100	16,000
Interest on the Unfunded Liability	23,300	22,800
Actuarial (Gains)/Losses, Net		
From Experience	36,100	8,200
From Discount Rate Assumption Change	13,500	31,300
From Long-term Assumption Changes		
Annual Inflation	117,300	24,300
Annual Basic Pay Scale Increases	500	600
Other	(15,200)	–
Total Pension Costs	194,600	103,200
Subtract Benefit Payments	(30,100)	(28,300)
Ending Balance	$ 988,800	$ 824,300

NOAA Corps Post-retirement Health Benefits Liability:

This liability represents the unfunded actuarial present value of projected post-retirement plan benefits. The actuarial calculation is performed annually, as of September 30. The September 30, 2022 and 2021 actuarial calculations used the following economic assumptions:

	FY 2022	FY 2021
Discount Rate	2.67%	2.77%
Ultimate Medical Trend Rate	3.60%	3.60%
Single Equivalent Medical Trend Rate	3.66%	4.07%

Schedule for Reconciling NOAA Corps Post-retirement Health Benefits Liability:

A reconciliation of the NOAA Corps Post-retirement Health Benefits Liability from the beginning balance to the ending balance, including the components of the related post-retirement health benefits costs included in the *Consolidated Statements of Net Costs*, follows:

	FY 2022	FY 2021
Beginning Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 51,100	$ 47,900
Add Health Benefits Costs:		
Normal Cost	2,400	1,300
Interest on the Unfunded Liability	1,500	1,500
Actuarial (Gains)/Losses, Net		
From Experience	(500)	2,200
From Discount Rate Assumption Change	600	1,500
From Long-term Assumption Changes		
Medical Claims and Trend Rate	(3,200)	(700)
Other	1,400	(400)
Total Health Benefits Costs	2,200	5,400
Subtract Benefit Payments	(2,200)	(2,200)
Ending Balance – NOAA Corps Post-retirement Health Benefits Liability	$ 51,100	$ 51,100

Note 14. Environmental and Disposal Liabilities

Environmental and disposal liabilities include the estimated liability for cleanup costs incurred from removing, containing, and/or disposing of asbestos-containing materials from facilities owned by NOAA and NIST and ships owned by NOAA, and also include the estimated liability associated with the future decommissioning of a NIST operated nuclear reactor.

Environmental and Disposal Liabilities are summarized below:

	FY 2022	FY 2021
Asbestos-related Cleanup Costs	$ 69,487	$ 69,869
Nuclear Reactor	69,787	68,541
Non-reactor Radiological Facilities	10,546	10,168
Pribilof Islands	701	824
Other	2,002	1,849
Total	$ 152,523	$ 151,251

Note 15. Leases

Capital Leases:

The Department had no capital lease assets or liabilities as of September 30, 2022 and 2021.

Operating Leases:

Most of the Department's facilities are rented from GSA, which generally charges rent that is intended to approximate commercial rental rates. For federally owned property rented from GSA, the Department generally does not execute an agreement with GSA; the Department, however, is normally required to give 120 to 180 days notice to vacate. For non-federally owned property rented from GSA, an occupancy agreement is generally executed, and the Department may normally cancel these agreements with 120 days notice.

The Department's (1) estimated real property rent payments to GSA for FY 2023 through FY 2027; and (2) future payments due under non-federal, noncancellable leases with terms longer than one year are as follows:

FY 2022			
	General PP&E Category		
Fiscal Year	Real Property Leases with GSA	Real Property Non-federal Leases	Personal Property Non-federal Leases
2023	$ 263,921	$ 13,199	$ 17,129
2024	272,451	9,573	9,801
2025	262,569	9,055	1,903
2026	266,861	8,006	–
2027	271,211	5,198	–
Thereafter	[1]	31,193	–
Total Future Operating Lease Payments		$ 76,224	$ 28,833

[1] *Not estimated*

Note 16. Liabilities Not Covered by Budgetary Resources

The liabilities that are not covered by budgetary resources, included in the Department's *Consolidated Balance Sheets*, are summarized below:

	FY 2022	FY 2021
Intragovernmental		
Liability to General Fund of the U.S. Government for Deficit Reduction	$ 12,186,661	$ 12,156,733
Advances from Others and Deferred Revenue	41,216	63,082
Accrued FECA Liability	25,978	27,037
Other	12,312	12,312
Total Intragovernmental	12,266,167	12,259,164
Other than Intragovernmental		
Federal Employee Benefits Payable	1,682,438	1,569,343
Environmental and Disposal Liabilities	152,523	151,251
Advances from Others and Deferred Revenue	498,977	647,364
Contingent Liabilities (Note 17)	27,700	3,627
Unfunded Portion of Energy Savings Performance Contracts/Utility Energy Service Contracts Liability	67,771	70,675
Other	382	641
Total Other than Intragovernmental	2,429,791	2,442,901
Total Liabilities Not Covered by Budgetary Resources	14,695,958	14,702,065
Total Liabilities Covered by Budgetary Resources	3,651,802	3,699,999
Total Liabilities Not Requiring Budgetary Resources	157,735	146,562
Total Liabilities	$ 18,505,495	$ 18,548,626

Note 17. Commitments and Contingencies

Commitments:

In addition to the future lease payments under non-cancellable leases with terms longer than one year disclosed in Note 15, *Leases*, the Department is committed under obligations for goods and services which have been ordered but not yet received as of September 30, 2022 (see Note 19, *Combined Statements of Budgetary Resources*), as well as material Public-Private Partnerships (see Note 26, *Disclosure Public-Private Partnerships*).

***Legal Contingencies*:**

The Department is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the Department's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the Department.

Probable Likelihood of an Adverse Outcome:

The Department is subject to potential liabilities where it is probable that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated or estimable amount, the exact amount of potential liabilities is unknown, but the Department believes these claims could result in probable estimable losses of $27.7 million as of September 30, 2022 and $3.6 million as of September 30, 2021 and which are included as *Other Liabilities* in the Department's *Consolidated Balance Sheets*. For most claims, any amounts ultimately due will be paid out of Treasury's Judgment Fund. For certain claims to be paid by Treasury's Judgment Fund, once the claims are settled or court judgments are assessed relative to the Department, the liability will be removed and an Imputed Financing Source will be recognized. However, agencies are required to reimburse the Judgment Fund for payments pursuant to the Contract Disputes Act and the Notification and Federal Employees Antidiscrimination and Retaliation Act of 2002.

Reasonably Possible Likelihood of an Adverse Outcome:

The Department and other federal agencies are subject to potential liabilities for a variety of environmental cleanup costs, many of which are associated with the Second World War, at various sites within the U.S. Since some of the potential liabilities represent claims with no stated or estimable amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2022 of $58.8 million if the outcomes were adverse to the Department. For these potential liabilities, it is reasonably possible that an adverse outcome will result. In the absence of a settlement agreement, decree, or judgment, there is neither an allocation of response costs between the U.S. government and other potentially responsible parties, nor is there an attribution of such costs to or among the federal agencies implicated in the claims. Although the Department has been implicated as a responsible party, the U.S. Department of Justice was unable to provide an amount for these potential liabilities that is attributable to the Department. Of these potential liabilities, all will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The Department and other federal agencies are subject to other potential liabilities where it is reasonably possible that an adverse outcome will result. Since some of the potential liabilities represent claims with no stated amount, the exact amount of total potential liabilities is unknown, but the Department believes these claims could result in potential estimable losses as of September 30, 2022 of $109.6 million if the outcomes were adverse to the Department. Of these potential liabilities, most will be funded by Treasury's Judgment Fund, if any amounts are ultimately due.

The tables below summarize the Department's probable and reasonably possible contingent liabilities by type as of September 30, 2022 and 2021.

FY 2022			
		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Legal Contingencies:			
Probable	$ 26,000	$ 26,000	$ 26,000
Reasonably Possible	N/A	109,605	109,605
Legal Environmental Contingencies:			
Probable	1,700	1,700	1,700
Reasonably Possible	N/A	58,829	58,829
Total	**$ 27,700**	**$ 196,134**	**$ 196,134**

FY 2021			
		Estimated Range of Loss	
	Accrued Liabilities	Lower End	Upper End
Legal Contingencies:			
Probable	$ 3,627	$ 3,627	$ 3,627
Reasonably Possible	N/A	19,505	19,505
Legal Environmental Contingencies:			
Probable	–	–	–
Reasonably Possible	N/A	58,829	58,829
Total	**$ 3,627**	**$ 81,961**	**$ 81,961**

Note 18. Consolidated Statements of Net Cost by Major Budgetary Function

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2022

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Total Program Costs							
Gross Costs	$ 6,717,223	$ 9,610,773	$ 1,062,653	$ 94,165	$ 17,484,814	$ (418,216)	$ 17,066,598
Less: Earned Revenue	(269,217)	(5,140,378)	(12,086)	–	(5,421,681)	418,216	(5,003,465)
NET COST OF OPERATIONS	**$ 6,448,006**	**$ 4,470,395**	**$ 1,050,567**	**$ 94,165**	**$ 12,063,133**	**$ –**	**$ 12,063,133**

United States Department of Commerce Consolidating Statement of Net Cost by Major Budgetary Function
For the Year Ended September 30, 2021

	Natural Resources and Environment/ Other Natural Resources	Other Advancement of Commerce	Area and Regional Development	Others	Combined Total	Intra-Departmental Eliminations	Consolidated Total
Total Program Costs							
Gross Costs	$ 6,347,943	$ 9,863,708	$ 801,013	$ 91,567	$ 17,104,231	$ (399,134)	$ 16,705,097
Less: Earned Revenue	(236,332)	(4,534,427)	(4,022)	–	(4,774,781)	399,134	(4,375,647)
NET COST OF OPERATIONS	**$ 6,111,611**	**$ 5,329,281**	**$ 796,991**	**$ 91,567**	**$ 12,329,450**	**$ –**	**$ 12,329,450**

Note 19. Combined Statements of Budgetary Resources

Unobligated Balance From Prior Year Budget Authority, Net: This budgetary resources line consists of unobligated balance, brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward—typical items include recoveries of prior year unpaid obligations, cancellations of annual or multi-year appropriations, nonexpenditure transfers of prior year unobligated balances, and other changes including refunds collected for downward adjustments of prior year paid delivered obligations, and borrowing authority withdrawn. The table below displays the FY 2022 and FY 2021 composition of this line.

	FY 2022	FY 2021
Unobligated Balance, Brought Forward, October 1	$ 8,623,003	$ 6,203,795
Actual Recoveries of Prior Year Unpaid Obligations	552,421	589,913
Canceled Authority	(65,664)	(56,531)
Actual Nonexpenditure Transfers of Prior Year Unobligated Balances	135,352	189,555
Other Changes in Unobligated Balance, Net	26,726	27,868
Unobligated Balance From Prior Year Budget Authority, Net	$ 9,271,838	$ 6,954,600

Appropriations:

Appropriations for FY 2022 includes:

- New funding of $42.45 billion received in NTIA's Broadband Equity, Access, and Deployment Program budget account under Public Law 117-58, *Infrastructure Investment and Jobs Act*, to remain available until expended, for grants as authorized under Section 60102, *Grants for Broadband Deployment*, of Division F of this Act. For FY 2022 budgetary financial information for the Broadband Equity, Access, and Deployment Program budget account, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

- New funding of $24.00 billion received in NIST's Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund under Public Law 117-167, *CHIPS and Science Act of 2022*, to remain available until expended, of which $19.00 billion shall be for Section 9902, *Semiconductor Incentives* of Public Law 116-283, *William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021* and $5.00 billion shall be for certain subsections, as specified in Public Law 117-167, of Section 9906, *Advanced Microelectronics Research and Development* of Public Law 116-283.

  Appropriations made available for FY 2022 include up to $6.00 billion for the cost of direct loans and loan guarantees under Public Law 116-283, *National Defense Authorization Act*, Section 9902. Principal amount of direct loans and total loan principal, any part of which is to be guaranteed, shall not exceed $75.00 billion. Up to 2 percent of the amounts made available in each fiscal year will be for salaries and expenses, administration, and oversight purposes to carry out sections 9902 and 9906 of Public Law 116-283. For each fiscal year beginning in FY 2022 through FY 2026 under Public Law 116-283, $5.0 million shall be transferred to OIG to oversee expenditures from the Fund. There are not any new direct loan or loan guarantee programs in place as of September 30, 2022 related to these appropriations made available for FY 2022.

  Additional appropriations of $26.00 billion will also be received in FY 2023 through FY 2026 for NIST's CHIPs for America Fund, also for Section 9902 and certain subsections of Section 9906 of Public Law 116-283 and to remain available until expended, of $7.00 billion, $6.30 billion, $6.10 billion, and $6.60 billion, respectively. For FY 2022 budgetary financial information for the CHIPS for America Fund budget account, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

There are reconciling items from the amounts of the *Budgetary Resources, Appropriations* on the *SBR* to the amounts of the *Appropriations Received on the Consolidated Statements of Changes in Net Position (SCNP)*, as shown in the following table.

	FY 2022	FY 2021
Budgetary Resources, Appropriations per SBR	$ 84,872,274	$ 14,321,262
Less Appropriations Transfers In/Out of Current Year Authority from Other Federal Agencies, Included as Transfers In/Out on SCNP	(262,608)	(269,523)
Less Other Reconciling Items, Net	5,154	(8,833)
Appropriations Received per SCNP	$ 84,614,820	$ 14,042,906

Borrowing Authority: Total borrowing authority available for NOAA's loan programs amounted to $72.5 million and $123.6 million as of September 30, 2022 and 2021, respectively. The Borrowing Authority amounts reported in the *SBR Budgetary Resources* section represent only borrowing authority realized during the fiscal year being reported. See Note 1.O, *Liabilities*, for debt repayment requirements, financing sources for repayments, and other terms of borrowing authority used.

Permanent, Indefinite Appropriations: The Department has one or more permanent, indefinite appropriations to finance operations. Permanent, indefinite appropriations are appropriations that are available until expended.

Permanent Reductions to Budgetary Resources: Permanent reductions to the Department's budgetary resources primarily under Public Law 117-103, *Consolidated Appropriations Act, 2022*, amounted to $26.1 million for FY 2022, while permanent reductions to the Department's budgetary resources under Public Law 116-260, *Consolidated Appropriations Act, 2021*, amounted to $16.1 million for FY 2021. These permanent reductions are included in the *SBR* Budgetary Resources section, and are also included in the *SCNP*.

Legal and/or budgetary arrangements affecting the Department's use of Unobligated Balances of Budget Authority, Fund Balance with Treasury, and/or Investments, Net during FY 2022 and FY 2021 include the following:

- The Department's *Unobligated Balance, End of Year, Unapportioned, Unexpired Accounts* shown on the FY 2022 and FY 2021 *SBR* represents the portion of budgetary resources that were not apportioned by OMB for that fiscal year and that were not available for obligation or otherwise during FY 2022 nor FY 2021, of $8.60 billion and $122.9 million, respectively. The unapportioned amount for FY 2022 of $8.60 billion includes $4.51 billion of unapportioned budgetary resources for NIST's Industrial Technology Services budget account and $2.81 billion of unapportioned budgetary resources for NOAA's Operations, Research, and Facilities budget account.
- The Department's *Unobligated Balance, End of Year, Apportioned, Unexpired Accounts*, Budgetary column shown on the FY 2022 and FY 2021 *SBR* includes amounts apportioned by OMB for subsequent fiscal years totaling $59.30 billion and $382.2 million, respectively. The $59.30 billion apportioned in FY 2022 for subsequent fiscal years includes $37.02 billion of budgetary resources for NTIA's Broadband Equity, Access, and Deployment Program budget account, and $18.97 billion of budgetary resources for NIST's CHIPS for America Fund.
- The Department's Fund Balance with Treasury asset as of September 30, 2022 includes $12.19 billion in NTIA's Public Safety Trust Fund that shall be deposited in the General Fund of the U.S. government for deficit reduction after the end of FY 2022. The Public Safety Trust Fund has recorded a liability (not covered by budgetary resources) to the General Fund of the U.S. government for deficit reduction of $12.19 billion as of September 30, 2022. For more information on the Public Safety Trust Fund, see Note 22, *Funds from Dedicated Collections*.

- The Department's Investments, Net asset as of September 30, 2021 of $12.16 billion represented amounts in NTIA's Public Safety Trust Fund. These investments subsequently matured in September 2022 and the proceeds are included in the Fund Balance with Treasury asset as of September 30, 2022 discussed above. The Public Safety Trust Fund had recorded a liability (not covered by budgetary resources) to the General Fund of the U.S. government for deficit reduction of $12.16 billion as of September 30, 2021.

- The Department's Fund Balance with Treasury includes for NTIA's Digital Television Transition and Public Safety Fund, as of September 30, 2022 and 2021, $8.81 billion of funds that are not available for obligation (reduction of budgetary resources). For more information on the Digital Television Transition and Public Safety Fund, see Note 22, *Funds from Dedicated Collections*.

- The Department's Fund Balance with Treasury as of September 30, 2022 and 2021 includes $790.1 million of USPTO offsetting collections exceeding the current and prior fiscal year appropriations that is temporarily precluded from obligation (reduction of budgetary resources), included in USPTO's Salaries and Expenses Fund. USPTO may use these funds only as authorized by Congress, and only as made available by the issuance of a Treasury warrant. Furthermore, the Department's Fund Balance with Treasury as of September 30, 2022 and 2021 includes $147.7 million of USPTO sequestered funds (temporary reduction of budgetary resources), also included in USPTO's Salaries and Expenses Fund. For more information on USPTO's Salaries and Expenses Fund, see Note 22.

- The Omnibus Budget Reconciliation Act of 1990 established surcharges on certain statutory patent fees collected by USPTO. Subsequent legislation extended the surcharges through September 30, 1998. These surcharges were deposited into the Patent and Trademark Surcharge Fund, a special fund receipt account at Treasury. USPTO may use monies from this account only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2022 and 2021, $233.5 million of Fund Balance with Treasury is held in the Patent and Trademark Surcharge Fund. For more information on the Patent and Trademark Surcharge Fund, see Note 22.

- The Department's Fund Balance with Treasury for Deposit Funds and for General Fund Receipt Accounts, totaling $179.2 million and $168.4 million as of September 30, 2022 and 2021, respectively, are not available to finance operating activities.

- For the NOAA Fishing Vessel Obligation Guarantee program, which is a loan program prior to the Federal Credit Reform Act of 1990 (pre-FY 1992 loans), most or all liquidating fund unobligated balances in excess of working capital needs are required to be transferred to Treasury as soon as practicable during the following fiscal year.

- For direct loan programs under the Federal Credit Reform Act of 1990 (post-FY 1991 loans) that have outstanding debt to Treasury, regulations require that most unobligated balances be returned to Treasury on September 30 or require that the borrowing authority be cancelled on September 30.

Comparison to Budget of the U.S. Government:

A comparison was performed between the amounts reported in the FY 2021 *SBR* and the actual FY 2021 amounts reported in the FY 2023 Budget of the U.S. government for *SBR* lines *Total Budgetary Resources*; *New Obligations and Upward Adjustments*; *Distributed Offsetting Receipts*, and the aggregate of *Outlays, Net, and Disbursements, Net.* There was an explained material difference of $239 million for *Total Budgetary Resources* because of expired accounts that are appropriately included in the *SBR*, and that are appropriately not included in the FY 2023 Budget of the U.S. government. The President's Budget that will report actual amounts for FY 2022 has not yet been published, and will be made available on OMB's President's Budget web page.

Summary of FY 2021 Reconciling Items:

(In Millions)

	Total Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Aggregate of Outlays, Net, and Disbursements, Net
Combined Statement of Budgetary Resources	$ 27,146	$ 18,523	$ (23)	$ 13,155
Included in FY 2022 Budget of the U.S. Government	26,907	18,521	(21)	13,155
Difference	$ 239	$ 2	$ (2)	$ –
Explanation	Expired budgetary resources included in *SBR*, are not included in the Budget of the U.S. government	Rounding	Certain receipt accounts included in *SBR*, are not included in the Budget of the U.S. government	

Undelivered Orders:

The following table summarizes the amount of budgetary resources obligated for Undelivered Orders as of September 30, 2022 and 2021:

Undelivered Orders	FY 2022	FY 2021
Undelivered Orders, Federal Paid	$ 345,066	$ 302,868
Undelivered Orders, Federal Unpaid	2,172,763	2,154,832
Undelivered Orders, Non-federal Paid	133,512	176,221
Undelivered Orders, Non-federal Unpaid	13,683,094	10,239,752
Total	$ 16,334,435	$ 12,873,673

Note 20. Custodial Non-exchange Activity

	FY 2022	FY 2021
Custodial Non-exchange Revenue		
Fines and Penalties	$ 2,080	$ (25,057)
Other	7,628	3,125
Subtotal	9,708	(21,932)
Less: Amounts for Non-federal Entities Total	(2)	(3)
Total Custodial Revenue for Federal Entities	$ 9,706	$ (21,935)

Custodial non-exchange activity normally includes revenue that was or will be collected, and may also include reductions of revenue when applicable, on behalf of the General Fund of the U.S. government, a trust fund, or other federal or non-federal recipient entities. The Department's custodial non-exchange revenue and disposition of custodial non-exchange revenue activity is not included in the Department's financial statements The Department's payables for custodial non-exchange revenue are included in the Department's *Consolidated Balance Sheets*. The above table summarizes the custodial non-exchange revenue that was collected on behalf of other federal entities.

Custodial non-exchange revenue is primarily received by BIS, EDA, NTIA, and NOAA. BIS receives custodial revenue from civil monetary penalties assessed to private entities that violate the Export Administration Act. EDA receives custodial revenue from the collection of interest, fines and penalties, and miscellaneous receipts. NTIA received non-recurring custodial revenue in FY 2022 on behalf of the General Fund of the U.S. Government from a non-federal entity related to its Broadband Technology Opportunities Program. NOAA receives custodial revenue from interest on its loan portfolio and collection of fines and penalties.

The Department's payable to the General Fund of the U.S. government for custodial non-exchange revenue was $183 thousand and $503 thousand as of September 30, 2022 and 2021, respectively.

Note 21. Fiduciary Activities

The Department has two fiduciary funds. The Patent Cooperation Treaty authorized USPTO to collect patent filing and search fees on behalf of the World Intellectual Property Organization (WIPO), European Patent Office, Korean Intellectual Property Office, Russian Intellectual Property Organization, Australian Patent Office, Israeli Patent Office, Japanese Patent Office, and Intellectual Property Office of Singapore from U.S. citizens requesting an international patent. The Madrid Protocol Implementation Act authorized USPTO to collect trademark application fees on behalf of the International Bureau of the WIPO from U.S. citizens requesting an international trademark.

Schedule of Fiduciary Activities for the Year Ended September 30, 2022:

	FY 2022		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 16,559	$ 964	$ 17,523
Contributions	163,233	46,114	209,347
Disbursements to and on Behalf of Beneficiaries	(163,170)	(46,288)	(209,458)
Increase/(Decrease) in Fiduciary Net Assets	63	(174)	(111)
Fiduciary Net Assets, Ending Balance	$ 16,622	$ 790	$ 17,412

Fiduciary Net Assets as of September 30, 2022:

	FY 2022		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Cash and Cash Equivalents			
Fund Balance with Treasury	$ 16,622	$ 790	$ 17,412

Schedule of Fiduciary Activities for the Year Ended September 30, 2021:

	FY 2021		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Fiduciary Net Assets, Beginning Balance	$ 14,236	$ 3,070	$ 17,306
Contributions	164,613	42,131	206,744
Disbursements to and on Behalf of Beneficiaries	(162,290)	(44,237)	(206,527)
Increase/(Decrease) in Fiduciary Net Assets	2,323	(2,106)	217
Fiduciary Net Assets, Ending Balance	$ 16,559	$ 964	$ 17,523

Fiduciary Net Assets as of September 30, 2021:

	FY 2021		
	Patent Cooperation Treaty	**Madrid Protocol**	**Total**
Cash and Cash Equivalents			
Fund Balance with Treasury	$ 16,559	$ 964	$ 17,523

Note 22. Funds From Dedicated Collections

The following tables depict major funds from dedicated collections separately chosen based on their significant financial activity and importance to taxpayers. All other funds from dedicated collections not shown are aggregated as "Other Funds from Dedicated Collections." The funds from dedicated collections reported in these tables are fully included in the Department's financial statements.

In accordance with the current version of OMB Circular A-136 Revised, the FY 2022 tables are presented on a consolidated basis; therefore, these tables include a column for eliminations of transactions and balances between funds from dedicated collections. The comparative FY 2021 tables are not required to be presented on a consolidated basis, and are presented on a combined basis; therefore, transactions and balances between funds from dedicated collections have not been eliminated.

The individual Funds from Dedicated Collections that are included in the Other Funds from Dedicated Collections columns in these tables for both FY 2022 and FY 2021 are as follows:

- NOAA Environmental Improvement and Restoration Fund
- NOAA Fishermen's Contingency Fund
- NOAA Foreign Fishing Observer Fund
- NOAA Gulf Coast Ecosystem Restoration Science, Observation, Monitoring, and Technology Fund
- NOAA Limited Access System Administration Fund
- NOAA North Pacific Marine Research Institute Fund
- NTIA First Responder Network Authority, Gifts, Donations, and Bequests Trust Fund
- NTIA State and Local Implementation Fund

United States Department of Commerce Consolidating Balance Sheet – Funds from Dedicated Collections
As of September 30, 2022

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
ASSETS											
Intragovernmental:											
Fund Balance with Treasury	$ 41,675	$ 371,727	$ 8,811,560	$ 438,682	$ 477,341	$ 12,188,478	$ 3,021,531	$ 88,475	$ 25,439,469	$ –	$ 25,439,469
Accounts Receivable	–	–	–	(6)	29	–	–	–	23	–	23
Advances and Prepayments	335	–	188	–	94	–	5,980	(1)	6,596	–	6,596
Total Intragovernmental	**42,010**	**371,727**	**8,811,748**	**438,676**	**477,464**	**12,188,478**	**3,027,511**	**88,474**	**25,446,088**	**–**	**25,446,088**
Other than Intragovernmental:											
Cash and Other Monetary Assets	–	–	–	–	–	–	7,036	–	7,036	–	7,036
Accounts Receivable, Net	–	–	–	21	(21)	–	655	3	658	–	658
General Property, Plant, and Equipment, Net	–	–	–	2,081	1,891	36	374,334	–	378,342	–	378,342
Advances and Prepayments	6	39	–	–	–	–	31,517	39	31,601	–	31,601
Other Assets											
Cost Contribution to Buildout/ Continuing Enhancement of Nationwide Public Safety Broadband Network, Net	–	–	–	191,397	5,535,988	–	–	–	5,727,385	–	5,727,385
Other	–	–	–	–	2,508	–	–	1	2,509	–	2,509
Total Other than Intragovernmental	**6**	**39**	**–**	**193,499**	**5,540,366**	**36**	**413,542**	**43**	**6,147,531**	**–**	**6,147,531**
TOTAL ASSETS	**$ 42,016**	**$ 371,766**	**$ 8,811,748**	**$ 632,175**	**$ 6,017,830**	**$ 12,188,514**	**$ 3,441,053**	**$ 88,517**	**$ 31,593,619**	**$ –**	**$ 31,593,619**
LIABILITIES											
Intragovernmental:											
Accounts Payable	$ –	$ 2	$ –	$ 34	$ 112	$ 100	$ 8,188	$ 29	$ 8,465	$ –	$ 8,465
Other Liabilities											
Liability to General Fund of the U.S. Government for Deficit Reduction	–	–	–	–	–	12,186,661	–	–	12,186,661	–	12,186,661
Other	–	127	–	911	–	–	33,881	78	34,997	–	34,997
Total Intragovernmental	**–**	**129**	**–**	**945**	**112**	**12,186,761**	**42,069**	**107**	**12,230,123**	**–**	**12,230,123**
Other than Intragovernmental:											
Accounts Payable	3,218	291	–	35,586	261,280	272	110,912	275	411,834	–	411,834
Federal Employee Benefits Payable	–	18	–	3,361	–	–	231,369	10	234,758	–	234,758
Advances from Others and Deferred Revenue	–	–	–	195,000	–	–	1,393,202	–	1,588,202	–	1,588,202
Other Liabilities											
Accrued Funded Payroll and Leave	256	381	–	1,690	12	261	108,002	248	110,850	–	110,850
Accrued Grant Liabilities	4,645	785	–	–	–	–	–	785	6,215	–	6,215
Other	–	–	–	1	–	1	500	(2)	500	–	500
Total Other than Intragovernmental	**8,119**	**1,475**	**–**	**235,638**	**261,292**	**534**	**1,843,985**	**1,316**	**2,352,359**	**–**	**2,352,359**
TOTAL LIABILITIES	**$ 8,119**	**$ 1,604**	**$ –**	**$ 236,583**	**$ 261,404**	**$ 12,187,295**	**$ 1,886,054**	**$ 1,423**	**$ 14,582,482**	**$ –**	**$ 14,582,482**
NET POSITION											
Unexpended Appropriations	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative Results of Operations	33,897	370,162	8,811,748	395,592	5,756,426	1,219	1,554,999	87,094	17,011,137	–	17,011,137
TOTAL NET POSITION	**$ 33,897**	**$ 370,162**	**$ 8,811,748**	**$ 395,592**	**$ 5,756,426**	**$ 1,219**	**$ 1,554,999**	**$ 87,094**	**$ 17,011,137**	**$ –**	**$ 17,011,137**
TOTAL LIABILITIES AND NET POSITION	**$ 42,016**	**$ 371,766**	**$ 8,811,748**	**$ 632,175**	**$ 6,017,830**	**$ 12,188,514**	**$ 3,441,053**	**$ 88,517**	**$ 31,593,619**	**$ –**	**$ 31,593,619**

United States Department of Commerce Combining Balance Sheet – Funds from Dedicated Collections
As of September 30, 2021

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
ASSETS									
Intragovernmental:									
Fund Balance with Treasury	$ 90,436	$ 383,780	$ 8,812,883	$ 434,353	$ 1,433,387	$ 12,759	$ 2,657,475	$ 91,370	$ 13,916,443
Investments, Net	–	–	–	–	–	12,156,733	–	–	12,156,733
Accounts Receivable	–	–	–	(1)	23	–	–	–	22
Advances and Prepayments	–	–	187	–	188	–	3,162	–	3,537
Total Intragovernmental	**90,436**	**383,780**	**8,813,070**	**434,352**	**1,433,598**	**12,169,492**	**2,660,637**	**91,370**	**26,076,735**
Other than Intragovernmental:									
Cash and Other Monetary Assets	–	–	–	–	–	–	6,985	–	6,985
Accounts Receivable, Net	–	–	–	9	16	–	514	7	546
General Property, Plant, and Equipment, Net	–	–	–	1,848	2,238	48	355,843	–	359,977
Advances and Prepayments	56	35	–	–	–	–	29,030	36	29,157
Other Assets									
Cost Contribution to Buildout/ Continuing Enhancement of Nationwide Public Safety Broadband Network, Net	–	–	–	168,816	5,174,830	–	–	–	5,343,646
Other Assets	–	–	–	–	527	–	–	–	527
Total Other than Intragovernmental	**56**	**35**	**–**	**170,673**	**5,177,611**	**48**	**392,372**	**43**	**5,740,838**
TOTAL ASSETS	**$ 90,492**	**$ 383,815**	**$ 8,813,070**	**$ 605,025**	**$ 6,611,209**	**$ 12,169,540**	**$ 3,053,009**	**$ 91,413**	**$ 31,817,573**
LIABILITIES									
Intragovernmental:									
Accounts Payable	$ –	$ 3	$ –	$ 415	$ 17	$ 31	$ 12,797	$ 1	$ 13,264
Other Liabilities									
Liability to General Fund of the U.S. Government for Deficit Reduction	–	–	–	–	–	12,156,733	–	–	12,156,733
Other	–	98	–	819	–	–	30,162	56	31,135
Total Intragovernmental	**–**	**101**	**–**	**1,234**	**17**	**12,156,764**	**42,959**	**57**	**12,201,132**
Other than Intragovernmental:									
Accounts Payable	1,504	301	–	117,508	593,286	64	128,670	103	841,436
Federal Employee Benefits Payable	–	14	–	3,524	–	–	241,474	8	245,020
Advances from Others and Deferred Revenue	–	–	–	120,000	–	–	1,250,318	–	1,370,318
Other Liabilities									
Accrued Funded Payroll and Leave	324	306	–	1,391	14	34	97,867	171	100,107
Accrued Grant Liabilities	5,957	792	–	–	–	–	–	792	7,541
Other	–	–	–	–	–	–	415	–	415
Total Other than Intragovernmental	**7,785**	**1,413**	**–**	**242,423**	**593,300**	**98**	**1,718,744**	**1,074**	**2,564,837**
TOTAL LIABILITIES	**$ 7,785**	**$ 1,514**	**$ –**	**$ 243,657**	**$ 593,317**	**$ 12,156,862**	**$ 1,761,703**	**$ 1,131**	**$ 14,765,969**
NET POSITION									
Unexpended Appropriations	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Cumulative Results of Operations	82,707	382,301	8,813,070	361,368	6,017,892	12,678	1,291,306	90,282	17,051,604
TOTAL NET POSITION	**$ 82,707**	**$ 382,301**	**$ 8,813,070**	**$ 361,368**	**$ 6,017,892**	**$ 12,678**	**$ 1,291,306**	**$ 90,282**	**$ 17,051,604**
TOTAL LIABILITIES AND NET POSITION	**$ 90,492**	**$ 383,815**	**$ 8,813,070**	**$ 605,025**	**$ 6,611,209**	**$ 12,169,540**	**$ 3,053,009**	**$ 91,413**	**$ 31,817,573**

United States Department of Commerce Consolidating Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2022

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Gross Costs	$ 44,816	$ 60,365	$ 1,323	$ 87,367	$ 266,974	$ 3,959	$ 3,732,272	$ 27,584	$ 4,224,660	$ –	$ 4,224,660
Less: Earned Revenue	–	–	–	(120,223)	(8)	–	(3,946,552)	–	(4,066,783)	–	(4,066,783)
NET COST (SURPLUS) OF OPERATIONS	**$ 44,816**	**$ 60,365**	**$ 1,323**	**$ (32,856)**	**$ 266,966**	**$ 3,959**	**$ (214,280)**	**$ 27,584**	**$ 157,877**	**$ –**	**$ 157,877**

United States Department of Commerce Combining Statement of Net Cost – Funds from Dedicated Collections
For the Year Ended September 30, 2021

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Gross Costs	$ 54,619	$ 33,823	$ 2,289	$ 63,310	$ 223,268	$ 3,151	$ 3,627,438	$ 27,250	$ 4,035,148
Less: Earned Revenue	–	–	–	(120,230)	(98)	5	(3,384,464)	–	(3,504,787)
NET COST (SURPLUS) OF OPERATIONS	**$ 54,619**	**$ 33,823**	**$ 2,289**	**$ (56,920)**	**$ 223,170**	**$ 3,156**	**$ 242,974**	**$ 27,250**	**$ 530,361**

United States Department of Commerce Consolidating Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2022

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections	Eliminations between Dedicated Collection Funds	Consolidated Totals
Cumulative Results of Operations:											
Beginning Balance	$ 82,707	$ 382,301	$ 8,813,070	$ 361,368	$ 6,017,892	$ 12,678	$ 1,291,306	$ 90,282	$ 17,051,604	$ –	$ 17,051,604
Non-exchange Revenue											
Intragovernmental	–	–	–	–	–	29,928	–	12	29,940	–	29,940
Other than Intragovernmental:											
Miscellaneous Taxes and Receipts	–	(3,302)	–	–	–	–	–	11,367	8,065	–	8,065
Transfers In/Out Without Reimbursement	(3,993)	41,290	–	–	5,500	(7,500)	(781)	13,019	47,535	–	47,535
Imputed Financing	–	–	–	1,379	–	–	50,194	–	51,573	–	51,573
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	–	–	–	–	–	(29,928)	–	–	(29,928)	–	(29,928)
Other	(1)	10,238	1	(11)	–	–	–	(2)	10,225	–	10,225
Net Cost of Operations	(44,816)	(60,365)	(1,323)	32,856	(266,966)	(3,959)	214,280	(27,584)	(157,877)	–	(157,877)
Net Change in Cumulative Results of Operations	(48,810)	(12,139)	(1,322)	34,224	(261,466)	(11,459)	263,693	(3,188)	(40,467)	–	(40,467)
Cumulative Results of Operations: Ending	**33,897**	**370,162**	**8,811,748**	**395,592**	**5,756,426**	**1,219**	**1,554,999**	**87,094**	**17,011,137**	**–**	**17,011,137**
NET POSITION	**$ 33,897**	**$ 370,162**	**$ 8,811,748**	**$ 395,592**	**$ 5,756,426**	**$ 1,219**	**$ 1,554,999**	**$ 87,094**	**$ 17,011,137**	**$ –**	**$ 17,011,137**

United States Department of Commerce Combining Statement of Changes in Net Position – Funds from Dedicated Collections
For the Year Ended September 30, 2021

	NIST Wireless Innovation Fund	NOAA Damage Assessment and Restoration Revolving Fund	NTIA Digital Television Transition and Public Safety Fund	NTIA First Responder Network Authority Fund	NTIA Network Construction Fund	NTIA Public Safety Trust Fund	USPTO Funds from Dedicated Collections	Other Funds from Dedicated Collections	Combined Total Funds from Dedicated Collections
Cumulative Results of Operations Beginning Balance	$ 137,569	$ 202,825	$ 8,815,360	$ 303,069	$ 6,239,927	$ 18,972	$ 1,484,521	$ 93,188	$ 17,295,431
Non-exchange Revenue									
Intragovernmental	–	–	–	–	–	9,578	–	1	9,579
With the Public:									
Miscellaneous Taxes and Receipts	–	(638)	–	–	–	–	–	11,959	11,321
Transfer In of Auction Proceeds from Federal Communications Commission	–	–	–	–	–	4,476,093	–	–	4,476,093
Transfers In/Out Without Reimbursement	(243)	197,701	–	–	1,138	(3,138)	1,119	12,383	208,960
Imputed Financing	–	–	–	1,380	–	–	48,640	–	50,020
Financing Sources Used for Recognizing Liability to General Fund of the U.S. Government for Deficit Reduction	–	–	–	–	–	(4,485,671)	–	–	(4,485,671)
Other	–	16,236	(1)	(1)	(3)	–	–	1	16,232
Net Cost of Operations	(54,619)	(33,823)	(2,289)	56,920	(223,170)	(3,156)	(242,974)	(27,250)	(530,361)
Net Change in Cumulative Results of Operations	(54,862)	179,476	(2,290)	58,299	(222,035)	(6,294)	(193,215)	(2,906)	(243,827)
Cumulative Results of Operations: Ending	**82,707**	**382,301**	**8,813,070**	**361,368**	**6,017,892**	**12,678**	**1,291,306**	**90,282**	**17,051,604**
NET POSITION	**$ 82,707**	**$ 382,301**	**$ 8,813,070**	**$ 361,368**	**$ 6,017,892**	**$ 12,678**	**$ 1,291,306**	**$ 90,282**	**$ 17,051,604**

Below is a description of major Funds from Dedicated Collections shown in the tables on this page and the previous pages:

NIST's ***Wireless Innovation Fund*** was created in order for NIST, in consultation with the Federal Communications Commission (FCC), the Secretary of Homeland Security, and the National Institute of Justice of the U.S. Department of Justice, to conduct research and assist with the development of standards, technologies, and applications to advance wireless public safety communications. Section 6413, *Public Safety Trust Fund* of the Middle Class Tax Relief and Job Creation Act of 2012 required NTIA to make available $300.0 million to the Director of NIST as amounts are deposited into NTIA's Public Safety Trust Fund to carry out public safety research. The Wireless Innovation Fund through FY 2017 received transfers in totaling $300.0 million from the Public Safety Trust Fund. The law establishing this program can be found in Section 6303, *Public Safety Wireless Communications Research and Development* of the Middle Class Tax Relief and Job Creation Act of 2012.

NOAA's ***Damage Assessment and Restoration Revolving Fund*** receives monies for the reimbursement of expenses related to oil or hazardous substance spill response activities, or natural resource damages assessment, restoration, rehabilitation, replacement, or acquisition activities conducted by NOAA. The recovered sums by a federal, state, tribal, or foreign trustee for natural resource damages are retained by the trustee and are only used to reimburse or pay costs incurred by the trustee for the damaged natural resources. The law establishing the Damage Assessment and Restoration Revolving Fund can be found in 33 U.S.C. Section 2706, *Natural resources*.

NTIA's ***Digital Television Transition and Public Safety Fund*** made digital television available to every home in America, improved communications between local, state, and federal agencies, allowed smaller television stations to broadcast digital television, and improved how warnings are received when disasters occur. NTIA received initial funding from borrowings from Treasury, and repaid Treasury from the proceeds of the auction of recovered analog spectrum which was completed in March 2008. The proceeds from the auction provided funding for several programs, and $7.36 billion was transferred in September 2009 to the General Fund of the U.S. government as required by the Deficit Reduction Act of 2005. The fund has a Fund Balance with Treasury (asset) balance of $8.812 billion as of September 30, 2022, of which $8.810 billion is not available for obligation (reduction of budgetary resources). The law establishing programs under this fund can be found in the Deficit Reduction Act of 2005, Sections 3001-3014. For FY 2022 budgetary financial information for the Digital Television Transition and Public Safety Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

NTIA's ***Network Construction Fund*** and ***First Responder Network Authority Fund*** primarily provide funding at this time for the federal portion of cost contributions towards buildout/continuing enhancement of the Nationwide Public Safety Broadband Network (NPSBN) and for operations of the First Responder Network Authority (FirstNet), an independent authority within NTIA. FirstNet shall ensure the establishment of a nationwide interoperable broadband network to help police, firefighters, emergency medical service professionals, and other public safety officials stay safe and do their jobs. For information about FirstNet's public-private partnership with AT&T to buildout, deploy, operate, and maintain the NPSBN under a 25-year contract award by FirstNet to AT&T in March 2017, see Note 26, *Disclosure Public-Private Partnerships*.

The asset *Cost Contribution to Buildout/Continuing Enhancement of NPSBN, Net* amounted to $5.73 billion and $5.34 billion as of September 30, 2022 and 2021, respectively, which is net of accumulated amortization of $724.9 million and $454.4 million, respectively. The Department's cost contribution to buildout and continuing enhancement of the NPSBN is captured in both the Network Construction Fund (cost contribution to buildout) and in the First Responder Network Authority Fund (cost contribution to continuing enhancement) and includes (a) completed and accepted AT&T contract performance for buildout/continuing enhancement of the NPSBN; and (b) accrued costs for estimated AT&T contract performance progress that is unbilled as of September 30. See Note 1.N for information regarding the classification of these cost contributions as an asset, and the related amortization of the cost contributions. Cost contributions for continuing enhancement to the NPSBN began in FY 2020, and amortization of certain of these cost contributions began in FY 2021.

Network Construction Fund

The Network Construction Fund in FY 2022 and FY 2021 received transfers in from NTIA's Public Safety Trust Fund totaling $5.5 million and $1.1 million, respectively, and also through FY 2020 similarly received transfers in from NTIA's Public Safety Trust Fund totaling $6.87 billion.

The law establishing the Network Construction Fund can be found under Section 6206, *Powers, Duties, and Responsibilities of the First Responder Network Authority* of the Middle Class Tax Relief and Job Creation Act of 2012. For FY 2022 budgetary financial information for the Network Construction Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited)*.

First Responder Network Authority Fund

FirstNet is authorized to assess and collect fees, and also annually collects exchange revenue (allocated between deferred revenue and earned revenue for proprietary basis of accounting) from AT&T under the terms of its contract with AT&T to buildout, deploy, operate, and maintain the NPSBN. The First Responder Network Authority Fund was established primarily pursuant to Sections 6206 and 6208, *Permanent Self-Funding; Duty to Assess and Collect Fees for Network Use* of the Middle Class Tax Relief and Job Creation Act of 2012.

NTIA's ***Public Safety Trust Fund*** was created as a result of Section 6413, *Public Safety Trust Fund* of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). The Act provides funding for specified programs and activities to be derived from the proceeds of FCC auctions of spectrum licenses, to be deposited into the Public Safety Trust Fund.

Prior to the receipt of auction proceeds from FCC, the Act provided authority to NTIA to borrow up to $2.00 billion from Treasury, interest-free, with the debt to be repaid from auction proceeds as the first priority. The Public Safety Trust Fund borrowed $2.00 billion from Treasury through FY 2014, which was repaid in full as of September 30, 2015.

FCC carries out auctions in accordance with the Act, of which certain earned net auction proceeds (earned auction proceeds less any FCC administrative fees) are transferred from FCC to the Public Safety Trust Fund. A transfer in from FCC becomes a financing source on the *SCNP* when the transfer is received. There are not any transfers in of auction proceeds from FCC received in FY 2022. A transfer in of auction proceeds from FCC of $4.48 billion was received in FY 2021, which was not available for obligation. The auction proceeds received in FY 2021 were excess funds beyond the needs of priorities 1 through 7 (discussed below), and were invested in non-marketable, market-based Treasury securities—see discussion further below about investments of the Public Safety Trust Fund. Transfers in of auction proceeds from FCC totaling $35.34 billion through FY 2020 were previously received.

The Act directs the use of auction proceeds in an order of priority after the repayment of borrowings from Treasury (priority 1):

- Priority 1, the repayment of borrowings from Treasury, was fully completed as of September 30, 2015 as previously discussed.
- In FY 2015, the Public Safety Trust Fund transferred out $130.9 million, net of sequestration, to NTIA's State and Local Implementation Fund, fully completing priority 2.
- In FY 2022 and FY 2021, the Public Safety Trust Fund transferred out to NTIA's Network Construction Fund a total of $5.5 million and $1.1 million, respectively, toward priority 3 of transferring up to $7.00 billion to the Network Construction Fund for buildout of the NPSBN. The Public Safety Trust Fund also similarly transferred out a total of $6.87 billion to the Network Construction Fund through FY 2020 toward priority 3.
- In FY 2017 and FY 2016, the Public Safety Trust Fund transferred out a total of $300.0 million to NIST's Wireless Innovation Fund, fully completing priority 4 and priority 7 regarding transfers to NIST to carry out public safety research.
- Priority 5 specifies that the Public Safety Trust Fund is to deposit a total of $20.40 billion in the General Fund of the U.S. government for deficit reduction. Fully completing this priority, the Public Safety Trust Fund transferred out a total of $20.40 billion during FY 2016 and FY 2015 to a receipt account utilized for transferring these funds to the General Fund of the U.S. government, and the receipt account transferred a total of $20.40 billion during FY 2016 and FY 2015 to the General Fund of the U.S. government.

- Priority 6 specifies that the Public Safety Trust Fund make available $115.0 million to the Assistant Secretary (NTIA) and the Administrator of the National Highway Traffic Safety Administration (NHTSA) to carry out the grant program of Next Generation 9-1-1. Fully completing this priority, the Public Safety Trust Fund transferred out a total of $112.2 million in FY 2017 and FY 2016 to NHTSA, and made available in FY 2016 $2.8 million within the Public Safety Trust Fund for the Assistant Secretary (NTIA).
- Priority 8 specifies that any remaining amounts deposited in the Public Safety Trust Fund shall be deposited in the General Fund of the U.S. government for deficit reduction. The Act further specifies that any amounts remaining in the Public Safety Trust Fund after the end of FY 2022 shall be deposited in the General Fund of the U.S. government for deficit reduction. Towards priority 8, the Public Safety Trust Fund has recorded a liability (not covered by budgetary resources) to the General Fund of the U.S. government of $12.19 billion and $12.16 billion as of September 30, 2022 and 2021, respectively. The corresponding FY 2022 and FY 2021 financing sources used to increase the liability for additional remaining amounts in the fund of $29.9 million and $4.49 billion, respectively, are reported in the FY 2022 and FY 2021 *SCNP* reported in this Note, *Cumulative Results of Operations* subsection.

The Act specifies that amounts in the Public Safety Trust Fund be invested in accordance with 31 U.S.C. Section 9702, *Investment of trust funds*. The Public Safety Trust Fund during FY 2021 and FY 2022 held investments in non-marketable, market-based Treasury securities. In preparation for carrying out priority 8, the Public Safety Trust Fund's investments in federal securities matured in September 2022 and the proceeds are included in the Fund Balance with Treasury asset as of September 30, 2022.

The Public Safety Trust Fund had investments, net of amortized (premium)/discount, in non-marketable, market-based Treasury securities totaling $12.16 billion as of September 30, 2021; see Note 1.H, *Investments, Net*, and Note 3 for more information. The federal government did not set aside assets to pay future expenditures associated with the Public Safety Trust Fund. The dedicated cash receipts collected into the Public Safety Trust Fund were deposited with Treasury, which used the cash for general government purposes. Treasury securities were issued to the Public Safety Trust Fund as evidence of its receipts. Treasury securities were an asset to the Public Safety Trust Fund, and Treasury securities were a liability of Treasury. Because the Public Safety Trust Fund and Treasury are both parts of the federal government, these assets and liabilities had offset each other from the standpoint of the federal government as a whole. For this reason, they did not represent an asset or a liability in the U.S. government-wide financial statements. Treasury securities provided the Public Safety Trust Fund with authority to draw upon Treasury to make future expenditures. When a component of the federal government requires redemption of securities to make expenditures, the federal government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the federal government finances all other expenditures.

For FY 2022 budgetary financial information for the Public Safety Trust Fund, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited) included in *Required Supplementary Information (Unaudited)*.

USPTO's ***Funds from Dedicated Collections*** consist of its Salaries and Expenses Fund, Patent and Trademark Surcharge Fund, and Patent and Trademark Fee Reserve Fund.

The Salaries and Expenses Fund contains monies used for the administering of the laws relevant to patents and trademarks and advising the Secretary of Commerce, the President of the United States, and the Administration on patent, trademark, and copyright protection, and trade-related aspects of intellectual property. This fund is used for USPTO's three core business activities—granting patents; registering trademarks; and intellectual property policy, protection, and enforcement—that promote the use of intellectual property rights as a means of achieving economic prosperity. These activities give innovators, businesses, and entrepreneurs the protection and encouragement they need to turn their creative ideas into tangible products, and also provide protection for their inventions and trademarks. The Salaries and Expenses Fund's Fund Balance with Treasury as of September 30, 2022 and 2021 includes (a) $790.1 million of USPTO offsetting collections exceeding the current fiscal year and prior fiscal years' appropriations that is temporarily precluded from obligation (reduction of budgetary resources). USPTO may use these funds only as authorized by Congress, and only as made available by the issuance of a Treasury warrant; and (b) $147.7 million of USPTO sequestered funds (temporary reduction of budgetary resources). See 35 U.S.C. 42, *Patent and Trademark Office funding* for more information on this fund; and for FY 2022 budgetary financial information, see the *Combining Schedule of Budgetary Resources by Major Budget Account* (unaudited), included in *Required Supplementary Information (Unaudited).*

The Patent and Trademark Surcharge Fund, a Special Fund Receipt Account at Treasury, is discussed in Note 19, *Combined Statements of Budgetary Resources*. USPTO may use monies from this fund only as authorized by Congress and made available by the issuance of a Treasury warrant. As of September 30, 2022 and 2021, $233.5 million of Fund Balance with Treasury is held in this fund. The law establishing the Patent and Trademark Surcharge Fund is the Omnibus Budget Reconciliation Act of 1990 (Public Law 101-508), Title X, Subtitle B, Section 10101, *Patent and Trademark Office User Fees*.

The Patent and Trademark Fee Reserve Fund results from a provision that requires USPTO to deposit into this fund all patent and trademark fees collected in excess of its annual appropriations amount. Funds made available may only be used, as applicable, for expenses of USPTO relating to the processing of patent applications and trademark registrations, and for other activities, services, and materials relating to patents, trademarks, and related administrative costs. In FY 2020, fee collections in excess of the FY 2020 appropriations amount for the Salaries and Expenses Fund of $231.9 million were transferred into this fund from the Salaries and Expenses Fund. In FY 2021, these monies were transferred from this fund back to the Salaries and Expenses Fund. In FY 2022, fee collections in excess of the FY 2022 appropriations amount for the Salaries and Expenses Fund of $31.6 million were transferred into this Fund from the Salaries and Expenses Fund. The law establishing the Patent and Trademark Fee Reserve Fund can be found in 35 U.S.C. Section 42.

Intra-Departmental Eliminations between Funds from Dedicated Collections and Funds from Other than Dedicated Collections: The table below summarizes intra-Departmental eliminations between Funds from Dedicated Collections and Funds from Other than Dedicated Collections as of September 30, 2021, or for the year ended September 30, 2021.

The table information is only presented for FY 2021 data because the current version of OMB Circular A-136 Revised no longer requires this information to be included in this Note. Rather, effective FY 2022, information on intra-Departmental eliminations between Funds from Dedicated Collections and Funds from Other than Dedicated Collections is required to be included (only) in the FY 2022 *Consolidating Statement of Changes in Net Position* (*SCNP*; principal financial statement); comparative data for FY 2021 is not required to be presented for the *SCNP*.

FY 2021			
	Intra-Departmental Eliminations – Funds from Dedicated Collections	**Intra-Departmental Eliminations – Funds from Other than Dedicated Collections**	**Total Intra-Departmental Eliminations**
Balance Sheet:			
As of September 30, 2021			
ASSETS			
Intragovernmental:			
Accounts Receivable	$ (22)	$ (2,274)	$ (2,296)
Advances and Prepayments	(884)	–	(884)
Total Intragovernmental Assets	**$ (906)**	**$ (2,274)**	**$ (3,180)**
LIABILITIES			
Intragovernmental:			
Accounts Payable	$ (2,154)	$ (22)	$ (2,176)
Advances from Others and Deferred Revenue	–	(884)	(884)
Other Liabilities	(120)	–	(120)
Total Intragovernmental Liabilities	**$ (2,274)**	**$ (906)**	**$ (3,180)**
Statement of Net Cost:			
For the Year Ended September 30, 2021			
Gross Costs	$ (53,190)	$ 18,967	$ (34,223)
Less: Earned Revenue	814	33,409	34,223
NET COST OF OPERATIONS	**$ (52,376)**	**$ 52,376**	**$ –**
Statement of Changes in Net Position:			
For the Year Ended September 30, 2021			
Cumulative Results of Operations:			
Transfers In/Out Without Reimbursement	**$ 4,808**	**$ (4,808)**	**$ –**

Note 23. Reconciliation of Net Cost of Operations to Agency Outlays, Net

The *Reconciliation of Net Cost of Operations to Agency Outlays, Net* reconciles proprietary basis of accounting *Net Cost of Operations* (as reported in the *Consolidated Statement of Net Cost*) to budgetary basis of accounting *Agency Outlays, Net* (as reported in the *Combined Statement of Budgetary Resources*). *Agency Outlays, Net* is comprised of *Outlays, Net* (Outlays, Gross less Actual Offsetting Collections) less *Distributed Offsetting Receipts*. The second section reverses out items included in *Net Cost of Operations* that are not included in *Agency Outlays, Net*. The third section adds items included in *Agency Outlays, Net* that are not included in *Net Cost of Operations*. The *Reconciliation of Net Cost of Operations to Agency Outlays, Net* for FY 2022 and FY 2021 are as follows:

FY 2022			
	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations			**$ 12,063,133**
Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			
Depreciation Expense of General Property, Plant, and Equipment	$ –	$ (1,537,355)	(1,537,355)
Cost of Goods Sold	–	(8,825)	(8,825)
Amortization Expense of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	(270,454)	(270,454)
Amortization Expense – Other	–	(2,169)	(2,169)
Imputed Costs from Cost Absorbed by Others	(292,205)	–	(292,205)
Other Expenses	3,935	(17,640)	(13,705)
Loss on Decommissioned Decennial Census Property, Plant, and Equipment	–	(265,925)	(265,925)
Gains/(Losses) on Disposition of Assets, Net	–	(11,079)	(11,079)
Other Gains/(Losses), Net	–	(9,735)	(9,735)
Net Cost of Operations for Non-budgetary Credit Reform Financing Accounts	(9,720)	16,312	6,592
Receivables, Net – Increases	17,260	313	17,573
Advances and Prepayments – Decreases	(3,343)	(42,709)	(46,052)
Advances from Others and Deferred Revenue – Decreases	68,532	(130)	68,402
Federal Employee Benefits Payable - Increases	–	(164,500)	(164,500)
Environmental and Disposal Liabilities – Increases	–	(1,272)	(1,272)
Various Other Liabilities – Increases	(10,097)	(139,991)	(150,088)
Accrued Funded Payroll and Leave - Increases	–	(22,135)	(22,135)
Total Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			**(2,702,932)**
Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			
Receivables, Net – Decreases	11,254	(4,383)	6,871
Adjustment for Pre-credit Reform Direct Loans: Pre-credit Reform Loans and Interest Receivables, Gross – Increase/(Decrease)	–	(6)	(6)
Undeposited Collections – Decreases	–	51	51
Accounts Payable – Decreases	30,330	473,117	503,447
Advances from Others and Deferred Revenue – Increases	–	(220,892)	(220,892)
Federal Employee Benefits Payable – Decreases	–	50,966	50,966
Various Other Liabilities – Decreases	2,512	3,343	5,855
Capitalized Purchases of Property, Plant, and Equipment	3,032	1,366,072	1,369,104
Capitalized Purchases of Inventory and Related Property	–	33,723	33,723
Capitalized Purchases of Other Assets	–	5,668	5,668
Capitalized Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	654,193	654,193
Other Outlays, Gross Not Part of Net Cost of Operations	7,500	6,925	14,425
Other Actual Offsetting Collections Not Part of Net Cost of Operations	(26,295)	(4,555)	(30,850)
Distributed Offsetting Receipts			(21,034)
Total Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			**2,371,521**
Agency Outlays, Net			**$ 11,731,722**

FY 2021	Intra-governmental	With the Public	Total
Net Cost of Operations			**$ 12,329,450**
Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			
Depreciation Expense of General Property, Plant, and Equipment	$ –	$ (1,577,084)	(1,577,084)
Cost of Goods Sold	–	(7,941)	(7,941)
Amortization Expense of Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network	–	(215,062)	(215,062)
Amortization Expense – Other	–	(1,480)	(1,480)
Imputed Costs from Cost Absorbed by Others	(315,440)	–	(315,440)
Other Expenses	1,614	(59,177)	(57,563)
Loss on Excessed Decennial Census Materials and Supplies	–	(118,187)	(118,187)
Other Gains/(Losses), Net	–	(8,470)	(8,470)
Net Cost of Operations for Non-budgetary Credit Reform Financing Accounts	(10,947)	18,044	7,097
Receivables, Net – Increases	2,682	1,345	4,027
Advances and Prepayments – Decreases	(5,475)	–	(5,475)
Undeposited Collections - Increases	–	(495)	(495)
Federal Employee Benefits Payable – Increases	–	(113,632)	(113,632)
Environmental and Disposal Liabilities – Increases	–	(926)	(926)
Various Other Liabilities – Increases	(18,861)	(29,490)	(48,351)
Total Components of Net Cost of Operations that are Not Part of Agency Outlays, Net			**(2,458,982)**
Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			
Receivables, Net – Decreases	–	(36,654)	(36,654)
Adjustment for Pre-credit Reform Direct Loans: Pre-credit Reform Loans and Interest Receivables, Gross – Increase/(Decrease)	–	(581)	(581)
Advances and Prepayments – Increases	–	45,535	45,535
Undeposited Collections – Decreases	–	(20,951)	(20,951)
Accounts Payable – Decreases	7,714	1,061,253	1,068,967
Advances from Others and Deferred Revenue – Increases	(45,233)	(238,205)	(283,438)
Federal Employee Benefits Payable – Decreases	–	35,118	35,118
Accrued Funded Payroll and Leave – Decreases	–	424,338	424,338
Various Other Liabilities – Decreases	–	3,776	3,776
Acquisitions of Property, Plant, and Equipment	12,881	1,183,916	1,196,797
Acquisitions of Inventory and Related Property	–	93,023	93,023
Acquisitions of Other Assets	–	2,936	2,936
Cost Contribution to Buildout/Continuing Enhancement of Nationwide Public Safety Broadband Network, Gross – Increase	–	783,929	783,929
Other Outlays, Gross Not Part of Net Cost of Operations	–	3,644	3,644
Other Actual Offsetting Collections Not Part of Net Cost of Operations	(28,520)	(4,449)	(32,969)
Distributed Offsetting Receipts			(23,140)
Other	3,151	–	3,151
Total Components of Agency Outlays, Net that are Not Part of Net Cost of Operations			**3,263,481**
Agency Outlays, Net			**$ 13,133,949**

Note 24. Stewardship Property, Plant, and Equipment

Preservation of stewardship[1] property, plant, and equipment (PP&E) promotes the Department's mission of providing effective management and monitoring of our Nation's resources and assets to support both environmental and economic health. The physical properties of stewardship PP&E resemble those of General PP&E that is capitalized traditionally in the Balance Sheet of the financial statements of federal entities. Due to the nature of these assets; however, valuation would be difficult and matching costs with specific periods would not be meaningful. Therefore, federal accounting standards require the disclosure of the nature and quantity of these assets. NOAA, NIST, and the Census Bureau are the only entities within the Department that are responsible for reporting stewardship PP&E.

Stewardship National Marine Sanctuaries, Marine National Monuments, Conservation Area, Habitat Blueprint, and Land and Permanent Land Rights

NOAA:

Written policy statements or permit guidelines for the National Marine Sanctuaries and Marine National Monuments have been developed for the areas of acoustic impacts, artificial reefs, climate change, invasive species, and marine debris. The Office of Marine National Sanctuaries answers the most frequently asked questions related to alternative energy and oil and gas policy decisions for national marine sanctuaries. There were no stewardship asset withdrawals for this subcategory in FY 2022.

NOAA maintains the following stewardship assets under this subcategory:

National Marine Sanctuaries: In 1972, Congress passed the Marine Protection, Research, and Sanctuaries Act (Act) in response to a growing awareness of the intrinsic environmental and cultural value of coastal waters. The Act authorized the Secretary of Commerce to designate special nationally-significant areas of the marine environment as national marine sanctuaries.

These protected waters provide a secure habitat for species close to extinction, and also protect historically significant shipwrecks and prehistoric artifacts. National marine sanctuaries are also used for recreation (e.g., boating, diving, and sport fishing), and support valuable commercial industries such as fishing and kelp harvesting. As of September 30, 2022, 15 National Marine Sanctuaries, which include both coastal and offshore areas, have been designated, as follows:

- Channel Islands National Marine Sanctuary
- Cordell Bank National Marine Sanctuary
- Florida Keys National Marine Sanctuary
- Flower Garden Banks National Marine Sanctuary
- Gray's Reef National Marine Sanctuary
- Greater Farallones National Marine Sanctuary
- Hawaiian Islands Humpback Whale National Marine Sanctuary
- Mallows Bay-Potomac River National Marine Sanctuary
- Monitor National Marine Sanctuary
- Monterey Bay National Marine Sanctuary
- National Marine Sanctuary of American Samoa
- Olympic Coast National Marine Sanctuary
- Stellwagen Bank National Marine Sanctuary
- Thunder Bay National Marine Sanctuary
- Wisconsin Shipwreck Coast National Marine Sanctuary[1]

[1] *The final rule to designate this sanctuary became effective August 16, 2021.*

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[1] Per FASAB's Handbook of Federal Accounting Standards and Other Pronouncements, as Amended, Appendix E, *Consolidated Glossary*, "The Federal Government's responsibility for the general welfare of the nation in perpetuity."

Marine National Monuments: The Marine National Monuments were created to protect the abundant and diverse coral, fish, and seabird populations; to facilitate exploration and scientific research; and to promote public education regarding the value of these national treasures. The establishment of the Monuments provides the opportunity to protect areas of outstanding scientific, cultural, conservation, and aesthetic value, and provide for the long-term preservation of these natural and cultural legacies. There are currently five Marine National Monuments, as follows:

- Marianas Trench Marine National Monument
- Northeast Canyons and Seamounts Marine National Monument
- Pacific Remote Islands Marine National Monument
- Papahānaumokuākea Marine National Monument
- Rose Atoll Marine National Monument

The Marine National Monuments are co-managed by NOAA and the U.S. Department of the Interior's U.S. Fish and Wildlife Service (USFWS), in cooperation with state and territorial agencies. The following legislation provides the authority for NOAA and USFWS to manage, monitor, and/or evaluate marine national monuments at the federal level. This list is not inclusive.

- Antiquities Act (1906): Authorizes the President to declare by public proclamation historic landmarks, historic and prehistoric structures, and other objects of historic or scientific interest that are situated upon the lands owned or controlled by the U.S. government to be national monuments, and may reserve as a part thereof parcels of land, the limits of which in all cases shall be confined to the smallest area compatible with proper care and management of the objects to be protected.
- Endangered Species Act (1973): A 1973 federal law, amended in 1978 and 1982, to protect troubled species from extinction. USFWS decided whether to list species as threatened or endangered. Federal agencies must avoid jeopardy to and aid the recovery of listed species. Similar responsibilities apply to non-federal entities.
- Fish and Wildlife Coordination Act (1934): Provides the basic authority for NOAA's National Marine Fisheries Service (NMFS) and USFWS involvement in evaluating impacts to fish and wildlife from proposed water resource development projects. It requires that fish and wildlife resources receive equal consideration to other project features. It also requires that federal agencies that construct, license, or permit water resource development projects must first consult with NMFS and USFWS and state fish and wildlife agencies regarding the impacts on fish and wildlife resources and measures to mitigate these impacts.
- Magnuson-Stevens Fishery Conservation and Management Act (1976; amended 2006): Calls for assessment and consideration of ecological, economic, and social impacts of fishing regulations on fishery participants and fishing communities in marine fishery management plans.
- Marine Mammal Protection Act (1972): Established to protect and manage marine mammals and their products (e.g., the use of hides and meat). The primary authority for implementing the Act belongs to NMFS and USFWS. The Act prohibits the "take" of marine mammals, which is defined as "to harass, hunt, capture, or kill, or attempt to harass, hunt, capture, or kill any marine mammal." The term "harassment" is further defined as "any act of pursuit, torment, or annoyance which has the potential to injure a marine mammal or marine mammal stock in the wild or has the potential to disturb a marine mammal or marine mammal stock in the wild by causing disruption of behavioral patterns, including, but not limited to, migration, breathing, nursing, breeding, feeding, or sheltering."

Aleutian Islands Habitat Conservation Area: On July 28, 2006, NOAA formally established the Aleutian Islands Habitat Conservation Area in Alaska, which covers nearly 370 thousand square miles and may harbor among the highest diversity of deep-water corals in the world. The conservation area established a network of fishing closures in the Aleutian Islands and Gulf of Alaska, and protects habitat for deep-water corals and other sensitive features that are slow to recover once disturbed by fishing gear or other activities. To minimize the effects of fishing on Essential Fish Habitat, and more specifically to address concerns about the impacts of bottom trawling on benthic habitat (particularly on coral communities) in the

Aleutian Islands, the North Pacific Fishery Management Council took action to prohibit all bottom trawling in the Aleutians, except in small discrete "open" areas. Over 95 percent of the management area is closed to bottom trawling. Additionally, six Habitat Conservation Zones with especially high density coral and sponge habitat were closed to all bottom-contact fishing gear (longlines, pots, trawls). To improve monitoring and enforcement of the Aleutian Island closures, a vessel monitoring system is required for all fishing vessels in the Aleutian management area. NMFS implements this closure area through the Fishery Management Plan for Groundfish of the Bering Sea and Aleutian Islands Management Area and in federal regulations at 50 U.S.C. 679.22(a)(14), *Aleutian Islands Habitat Conservation Area*.

NOAA Habitat Blueprint: NOAA has responsibility for protecting habitat for fish, threatened and endangered species, marine mammals, and other natural resources within the coastal zone. Recognizing the need for more concerted efforts to conserve, protect, and restore habitat, NOAA developed the NOAA Habitat Blueprint to build on existing programs, prioritize its activities, and guide its future actions. This is being accomplished by creating Habitat Focus Areas. There are currently 11 Habitat Focus Areas, as follows:

- Biscayne Bay, FL
- Choptank River Watershed, MD/DE
- Kachemak Bay, AK
- Manell-Geus Watershed, GU
- Middle Peninsula, VA[1]
- Muskegon Lake, MI
- Northeast Reserves and Culebra Island, PR
- Penobscot River Watershed, ME
- Russian River Watershed, CA
- St. Louis River Estuary, MN/WI
- West Hawaii, HI

[1] *This was selected as a Habitat Focus Area effective May 2022.*

Work at these Habitat Focus Areas is completed via grant proposals that take a landscape-scale or watershed approach to implementing on the ground conservation efforts. Proposals must align with specific Habitat Focus Areas priorities. Project types, including habitat restoration/conservation, science/research, long-term monitoring, technology/tool development, and outreach/education, vary by Habitat Focus Area. All projects support NOAA's core missions of conserving coastal and marine habitats to support sustainable fisheries, protected resources, and coastal community resilience. Collaboration is encouraged with conservation partners and communities.

Land and Permanent Land Rights: Per federal accounting standards that are effective through FY 2025 (in FY 2026, amended accounting standards for stewardship land, including amendments to the definition of stewardship land, will become effective), stewardship land is land and land rights[2] owned by the federal government but not acquired for or in connection with[3] items of General PP&E. Land is the solid part of the surface of the Earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

[2] Per FASAB's Statement of Federal Financial Accounting Standards 29, *Heritage Assets and Stewardship Land*, "Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land."

[3] Per FASAB's Statement of Federal Financial Accounting Standards 29, *Heritage Assets and Stewardship Land*, "'Acquired for or in connection with' is defined as including land acquired with the intent to construct general PP&E and land acquired in combination with general PP&E, including not only land used as the foundation, but also adjacent land considered to be the general PP&E's common grounds."

Per FASAB's Technical Release 9, *Implementation Guide for Statement of Federal Financial Accounting Standards 29: Heritage Assets and Stewardship Land*, "If land meets the criteria for general PP&E, then determine if the land has an identifiable cost. If land does not have an identifiable cost or where cost is nominal or insignificant, it is SL, regardless of whether it is 'acquired for or in connection with other general PP&E'."

NOAA's stewardship land supports its mission by serving as sites for NOAA's operations, including for facilities and offices, observatories, laboratories, and rookeries.

The Department has identified during FY 2022 that the site for the National Environmental Satellite, Data, and Information Service's (NESDIS) Office of Satellite and Product Operations Gilmore Creek in Fairbanks, AK is a stewardship land item effective for FY 2022 financial reporting. The included Fairbanks Command and Data Acquisition (CDA) Station (campus) is NOAA's primary satellite ground station for downloading data from and sending commands to polar orbiting satellites. The CDA Station houses a number of buildings and has nine antennas in active use. It is one of the busiest and most capable satellite ground stations in the world. In addition to being the Nation's premier civilian ground station in support of polar orbiting satellites, the CDA Station also acts as a backup in support of NOAA's primary geostationary satellite ground station, the Wallops CDA Station on Wallops Island on the Eastern Shore of Virginia. The CDA Station provides backup support for the Geostationary Operational Environmental Satellites orbiting in the West position.

Stewardship land also includes five rookeries in St. Paul, AK. The Department has further identified during FY 2022 that the site for National Weather Service (NWS) offices in St. Paul and various land easements to access the rookeries and the St. Paul Airport are additional stewardship land and permanent land rights items effective for FY 2022 financial reporting.

Stewardship land in St. George, AK includes land housing NMFS support buildings, known as the Cottage and the Seal Skin Processing Plant (due to their uses prior to NOAA's operational uses), and seven rookeries. These rookeries are specific areas where Northern fur seals gather each year to mate and raise young and are protected by regulation under the Fur Seal Act and the Marine Mammal Protection Act. In 1911, the Fur Seal Treaty created an international prohibition on hunting fur seals at sea and shared responsibility among the treaty nations for commercial harvests on land. In 1984, the United States ended commercial harvest of northern fur seals on the Pribilof Islands. Subsistence use is currently co-managed by NOAA Fisheries and the tribal governments of St. Paul and St. George. The Department has further identified during FY 2022 that the Zapadni rookery and various land easements to access the rookeries in St. George, AK are additional stewardship land and permanent land rights items effective for FY 2022 financial reporting.

The Department has identified during FY 2022 that the site for the Office of Oceanic and Atmospheric Research (OAR) Observatory, and the site for NWS offices, both in Utqiaġvik (Barrow), AK are additional stewardship land items effective for FY 2022 financial reporting.

The Department has also identified during FY 2022 that the following sites are additional stewardship land items effective for FY 2022 financial reporting:

- OAR Lava Diversion Barrier site and OAR Observatory site in Mauna Loa, HI
- National Ocean Service Laboratory site in Seldovia (Kasitsna Bay), AK
- NMFS Subport Operations Base Facility site in Juneau, AK
- NMFS Auke Bay Laboratory site in Juneau (Auke Bay/Cake), AK
- NWS Tsunami Warning Center site and housing site in Palmer, AK

NOAA's real property community is responsible for reporting stewardship land and non-collection type heritage assets (including multi-use heritage assets). NOAA's Real Property Management Division (RPMD) reports Stewardship PP&E if the property contains a real property interest. The following highlights the specific roles and responsibilities of RPMD:

- Maintain a list of stewardship land and non-collection type heritage assets;
- Ensure that stewardship land and non-collection type heritage assets are listed as such in the real property inventory system;
- Include a requirement for confirmation of stewardship land or non-collection type heritage asset status and whether any Line/Staff Office(s) believes that a real property item should be a stewardship land or heritage asset in its annual real property inventory testing; and
- Consult with the NOAA Federal Preservation Officer and the relevant Line/Staff Office(s) regarding any additions to the real property inventory to ensure that the stewardship land or heritage or non-heritage asset status is correctly identified, including if a National Historic Preservation Act compliant evaluation is required.

NOAA utilizes 41 U.S.C., *Public Contracts*, Section 6301, *Authorization Requirement*, which states that the federal government may not acquire land unless the contract or purchase is authorized by law or is under an appropriation adequate to its fulfillment. NOAA also follows the requirements under 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-73, *Real Estate Acquisition*. NOAA acquires land only for specific mission needs that cannot be met by its existing inventory and only if properly authorized. NOAA follows applicable federal procedures for acquiring land via transfer in from other federal entities including from GSA.

NOAA maintains and uses its land in support of the mission that land serves. Its maintenance, such as landscaping, snow removal, and pest control are dependent on the use and location of the particular parcel of land.

NOAA disposes of land based on 41 CFR, Subtitle C, Part 102-75, *Real Property Disposal*. In special cases, specific legislation may also provide disposal authority for and direct the disposal of a particular location/site.

Information regarding estimated land acreage for NOAA's stewardship land is included in the *Required Supplementary Information (Unaudited)* section.

NIST:

Stewardship Land and Permanent Land Rights: The Department has identified during FY 2022 that the site for the Boulder campus in Boulder, CO and the related permanent land rights are stewardship items effective for FY 2022 financial reporting. The Boulder campus consists of the land housing the Boulder laboratories and support facilities and the land comprised of protected area. The protected area is in accordance with an agreement between NIST and the city of Boulder whereby agreements with the City of Boulder and Native American Tribes have been respected and the designated protected area continues to be preserved. The related permanent land rights include shares and water rights to the privately-owned Anderson Ditch which crosses through the Boulder campus and has been determined eligible for listing in the National Register of Historic Places (NRHP). Because the Anderson Ditch has been determined eligible for listing in the NRHP, all proposed changes must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office.

Heritage Assets

Per federal accounting standards, heritage assets are unique for their historical or natural significance, cultural, educational, or artistic importance, or significant architectural characteristics, and are generally expected to be preserved indefinitely.

In cases where a heritage asset also has a predominant use in general federal government operations, the asset is considered a multi-use heritage asset. Subject to the Department's capitalization thresholds, the cost of acquisition, improvement, reconstruction, or renovation of a multi-use heritage asset is capitalized as General PP&E and is depreciated over its estimated useful life.

Non-collection-type Heritage Assets:

NOAA:

Non-collection-type heritage assets maintained by NOAA currently include the following:

- NMFS Galveston Laboratory Buildings (5) in Galveston, TX[1]
- NMFS buildings (2) in St. George, AK[1] which uses include research and housing, known as the Cottage and the Seal Skin Processing Plant (due to their uses prior to NOAA's operational uses)
- NESDIS Buildings (6) in Gilmore Creek, Fairbanks, AK[1]
- Northwest Fisheries Science Center in Seattle, WA (building)[1]
- OAR Air Resources Lab in Oak Ridge, TN (building)[1]
- OAR Great Lakes Environmental Research Laboratory/Lake Michigan Field Station (building) in Muskegon, MI[1]
- Western Regional Center Hangars (2) at the Water Resource Center in Seattle, WA (buildings)[1]

[1] *Multi-use heritage asset(s).*

For FY 2022, there were two withdrawals of NOAA's non-collection-type heritage assets. For FY 2021 reporting, eight of the NESDIS Buildings located in Gilmore Creek, Fairbanks, AK were reported as non-collection-type heritage assets. The Department has clarified that two of the buildings should no longer be reported as heritage assets for FY 2022 financial reporting because two of the buildings were demolished and disposed of. Typically, the methods of withdrawal may include demolition, disposal, transfer, sale, and reassessment of heritage assets criteria due to a review(s) of additional or new information or documentation.

For policies and procedures for NOAA's real property community regarding non-collection type heritage assets, see the NOAA *Land* subsection.

Information regarding deferred maintenance and repairs for NOAA's multi-use heritage assets is included in the *Required Supplementary Information (Unaudited)* section.

NIST:

Non-collection-type heritage assets maintained by NIST include the following:

- Boulder Laboratories Building 1 in Boulder, CO[1]
- Gaithersburg Campus in Gaithersburg, MD[1]
- Fort Collins Campus in Fort Collins, CO[1]
- Kehaka, Kauai Campus in Kehaka, HI[1]

[1] *Multi-use heritage asset(s).*

The Boulder Laboratories Building 1, also known as the Central Radio Propagation Laboratory, is eligible for listing in the National Register of Historic Places (NRHP) due to its historic and architectural importance. Within Building 1 laboratories, ground breaking research has led to major scientific developments such as the atomic clock.

The Gaithersburg NIST campus is listed as a Historic District in the NRHP due to its association with both significant advances in the history of science and technology as well as for its acclaimed mid-century modern architectural design and the embodiment of post World War II suburban campus planning principles.

The Fort Collins NIST campus and the Kehaka NIST campus are eligible for listing in the NRHP due to their exceptional national significance in the historic themes of science and engineering. These radio transmitter facilities are integral to receiving and transmitting the national standard for time calibrated through the atomic clock located at Building 1 at the NIST Boulder Laboratories as well as maintaining the integrity of the Nation's radio airwaves. The land at the Kehaka NIST campus is leased from the U.S. Navy and NIST owns and maintains the structures.

NIST has established policies for maintaining and preserving its campuses and facilities. All proposed changes to the buildings, grounds, structures, and/or resources must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office.

Information regarding deferred maintenance and repairs for NIST's buildings and site utilities and infrastructure is included in the *Required Supplementary Information (Unaudited)* section.

Collection-type Heritage Assets:

NOAA:

NOAA has established policies, procedures, and standards for the preservation, security, handling, storage, and display of NOAA personal property heritage assets to ensure the proper care and handling of these assets under its control or jurisdiction. NOAA maintains a nationwide inventory of personal property heritage assets, ensuring that they are identified and recorded in the Personal Property Heritage Asset Accountability System. Each loan of NOAA personal property heritage assets, including assigning values and inventory numbers and reporting the current condition of heritage assets, is tracked and updated and the feasibility of new asset loans is determined. In addition, NOAA collects personal property heritage assets of historic, cultural, artistic, or educational significance to NOAA.

NOAA's historical artifacts are designated collection-type heritage assets if they help illustrate the social, educational, and cultural heritage of NOAA and its predecessor agencies (Coast and Geodetic Survey, U.S. Fish Commission, the Weather Bureau, the Institutes for Environmental Research, the Environmental Science Services Administration, etc.). These artifacts include, but are not limited to: books, journals, publications, photographs, motion pictures, manuscripts, records, nautical chart plates, bells, gyrocompasses, brass citations, flags, pennants, chronometers, ship seals, clocks, compasses, fittings, miscellaneous ship fragments, lithographic plates, barometers, rain gauges, and any items that represent the uniqueness of the mission of NOAA and its predecessor agencies. NOAA's Logistics Office continually conducts inventories of NOAA's collection-type heritage assets.

For FY 2022, there were no withdrawals of NOAA's collection-type heritage assets. Typically, the methods of withdrawal may include assets being destroyed, lost, missing, stolen, and donated/transferred to an entity outside of NOAA.

NOAA's collection-type heritage assets include the following:

NOAA Central Library: Many of NOAA's heritage assets are maintained by the NOAA Central Library. The holdings include photographs, motion pictures, artifacts, documents, and other items.

Thunder Bay Sanctuary Research Collection: The Thunder Bay National Marine Sanctuary (TBNMS) is jointly managed by NOAA and the State of Michigan to protect and interpret a nationally significant collection of shipwrecks and other maritime heritage resources. In 2004, TBNMS established an agreement with the Alpena County George N. Fletcher Public Library to jointly manage this collection. Amassed over a period of more than 40 years by historian C. Patrick Labadie, the collection includes information about such diverse subjects as Great Lakes ports and waterways, docks, cargoes, ships, shipbuilders, owners and fleets, machinery and rigging, notable maritime personalities, and shipwrecks. Special features of the collection are extensive collections of data cards listing most of the ships on the Great Lakes before year 1900, a roster of some 15 thousand vessels complete with descriptive data and highlights of the ships' careers and their ultimate losses, and ship photograph negatives of 19th and 20th century Great Lakes ships. The collection also includes copies of vessel ownership documents, contemporary ship photographs, books, and other items documenting the Great Lakes history.

Florida Keys National Marine Sanctuary Collection: The Florida Keys National Marine Sanctuary (FKNMS) collection-type heritage assets include artifacts from shipwreck and wrecking events occurring in the Florida Keys over a 500-year period. FKNMS is an abundant mixture of natural and cultural, historical resources.

NIST:

NIST currently maintains collection-type heritage assets under its Museum, which collects, preserves, and exhibits artifacts, such as scientific instruments, equipment, and objects of significance to NIST and predecessor agencies. This program provides institutional memory and demonstrates the contributions of NIST to the development of standards measurement, technology, and science.

The NIST Museum has policies in place for acquisitions and loans. Objects are either on display or in storage and are not used by visitors. When considering artifacts for accession, the following criteria are considered:

- Direct connection to NIST program activity;
- Direct connection to a NIST prominent person;
- Physical size; and
- Safety considerations.

Artifacts are rarely loaned, but can be loaned within established policies and procedures for educational purposes, scholarly research, and limited public exhibition to qualified institutions. The loan policy packet for these artifacts includes an introduction to the NIST Loan Program, Borrower Checklist, Artifact Loan Request, NIST Loan Policy, Insurance Requirements, Facilities Report, Outgoing Loan Agreement, Condition Report Form, and Outgoing Loan Process.

Assets may be withdrawn by the NIST museum staff, who will provide a rationale for the deaccession. Deaccessioning is part of the formation and care of collections and is performed in order to refine and improve the quality and appropriateness of the collections to better serve the museum's mission. Potential justifications for deaccessioning an item from the Museum Collections may include, but are not limited to, the following:

- Not or no longer historically relevant to NIST History;
- Not useful for research, exhibition, or educational purposes;
- Duplicate or better representative items in collection or about to be acquired;
- Return of items on long-term loan;
- Lack of information available on artifact;
- Safety concerns;
- The Museum is unable to properly care for, conserve, or store the object; and
- Fits better with a more appropriate collecting institution.

Census Bureau:

Collection-type heritage assets maintained by the Census Bureau are items considered unique for their historical, cultural, educational, technological, methodological, or artistic importance. They help illustrate the social, educational, and cultural heritage of the Census Bureau. Some items because of their age or obvious historical significance are inherently historical artifacts.

The Census Bureau has in place a Project Charter that outlines policies and procedures for the acquisition and removal of Census Bureau's heritage assets. The Census Bureau Heritage Assets Committee decides if an item meets the criteria for a heritage asset based on the uniqueness, historical age, and/or if the item helps to illustrate the Census Bureau's historic contributions to the Nation's growth. If the item is deemed a heritage asset, the applicable property management office will ensure the heritage asset is catalogued and stored in a safe, secure environment, allowing for appropriate preservation and conservation. All necessary actions will be taken to reduce deterioration of heritage assets due to environmental conditions, and to limit damage, loss, and misuse of heritage assets. The Committee meets on a regular basis to determine if any heritage assets should be removed from the approved list, or if a newly arrived item should be classified as a heritage asset. Once a determination has been made to no longer classify an item as a heritage asset, the Census Bureau will follow any applicable established policies and procedures for surplus property.

The following tables summarize the Department's collection-type heritage assets activity and balances.

Collection-type Heritage Assets: Collection
(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2021	FY 2022 Additions	FY 2022 Withdrawals	Quantity of Items Held September 30, 2022
NOAA Central Library – Collection of Photographs and Motion Pictures	Photographs and motion pictures	1	N/A[1]	N/A[1]	1

[1] *N/A – Not applicable; this category is reported as one collection.*

Collection-type Heritage Assets: Individual Items
(In Actual Quantities)

Category	Description of Assets	Quantity of Items Held September 30, 2021	FY 2022 Additions	FY 2022 Withdrawals	Quantity of Items Held September 30, 2022
NOAA National Ocean Service – Thunder Bay Sanctuary Research Collection	Data cards, photograph negatives, document copies, photographs, books, and other items	106,254	–	–	106,254
NOAA Central Library – Other	Artifacts, documents, and other items	28	–	–	28
NOAA Florida Keys National Marine Sanctuary Collection	Artifacts	253	–	–	253
NOAA – Other	Artifacts, artwork, books, films, instruments, maps, and records	3,164	–	–	3,164
NIST Artifacts and Scientific Measures	National Bureau of Standards[1]/NIST scientific instruments, equipment, and objects	1,410	–	1	1,409
Census Bureau Artwork and Gifts	Artifacts, artwork, books, films, instruments, and records	159	–	–	159
Census Bureau Collectable Assets	Publications, books, manuscripts, photographs, and maps	33	–	–	33
Total		111,301	–	1	111,300

[1] *National Bureau of Standards is the former name of NIST.*

Note 25. Disclosure Entity

The Department's evaluations of SFFAS 47, *Reporting Entity*, determined that the organization discussed below should be included, as a disclosure entity, in the Department's notes to the financial statements.

The ***Corporation for Travel Promotion (CTP), also doing business as Brand USA***, was established by the Travel Promotion Act of 2009 (TPA) as the Nation's first public-private partnership to spearhead a globally coordinated marketing effort to promote the United States as a premier travel destination and to communicate U.S. visa and entry policies. CTP is a non-profit corporation that was incorporated in the District of Columbia and began operations in May 2011. As the destination marketing organization for the United States, CTP's mission is to increase incremental international visitation, spend, and market share to fuel the Nation's economy and to enhance the image of the U.S. worldwide. CTP's programs, activities, and operations are managed and supported from its office in Washington, DC.

TPA set forth that the Secretary of Commerce shall appoint all 11 members of CTP's board of directors (after consultation with the Secretary of Homeland Security and the Secretary of State) and can remove board members with good cause. TPA's accountability measures included that CTP's board of directors shall establish annual objectives for the corporation for each fiscal year subject to approval by the Secretary of Commerce (after consultation with the Secretary of Homeland Security and the Secretary of State), that CTP shall provide an annual budget to the Secretary of Commerce, that CTP shall undergo annual financial audits of its operations, and that CTP shall submit an annual report to the Secretary of Commerce for transmittal to Congress.

The Travel Promotion, Enhancement, and Modernization Act of 2014 amended TPA, and its provisions included requirements for CTP to establish performance metrics and to establish a competitive procurement process. The Brand USA Extension Act (December 20, 2019) further amended TPA, including a requirement to make available CTP's performance metrics on its website.

The Department does not provide any funding to CTP. CTP currently receives federal funding, under a matching requirement, from the federal government's Travel Promotion Fund, which receives a designated portion of each fee collected by the federal government from international visitors who visit the United States under the Visa Waiver Program. The Travel Promotion Fund is not part of the Department and is not included in the Department's financial statements. The Travel Promotion, Enhancement, and Modernization Act of 2014, and the Brand USA Extension Act, extended the sunset date of the federal government's designated fee (for deposit to the Travel Promotion Fund) from September 30, 2015 (under TPA) to September 30, 2027. ITA receives and processes, including supporting documentation, requests from CTP for funding from the Travel Promotion Fund. CTP will receive from the Travel Promotion Fund a matching portion of designated fees, equal to the amount collected from non-federal sources, not to exceed $100.0 million annually, adjusted for sequestrations. TPA's current matching requirement, in effect since the Brand USA Extension Act further amended TPA in December 2019, is that CTP shall provide matching amounts from non-federal sources that in the aggregate are equal to 100 percent of the amount transferred to CTP from the Travel Promotion Fund. In-kind matching contributions cannot account for more than 50 percent of the matching requirement.

Furthermore, Public Law 117-103, *Consolidated Appropriations Act, 2022* (March 15, 2022), Division FF, Section 101, *Restoring Brand USA Act*, made available to CTP one-time funding from the Travel Promotion Fund of $250.0 million. Of the $250.0 million made available to CTP, $200.0 million is not subject to TPA's current matching requirements and has been received by CTP, while the remaining $50.0 million is subject to TPA's current matching requirements.

CTP is included in the Department's financial reporting as a disclosure entity because it meets the inclusion principle of an organization that is controlled by the federal government with risk of loss or expectation of benefit—including because the Secretary of Commerce appoints all 11 members of the board of directors and can remove board members with good cause, while the federal government receives financial and/or nonfinancial benefits from CTP as a result of CTP furthering the federal government's objectives regarding increasing U.S. economic activity and economic benefits to the Nation.

Assets, liabilities, revenue, expenses, gains, and/or losses of CTP have no impact on the Department's financial statements.

The primary financial and/or nonfinancial exposures to the federal government regarding CTP appear to relate to the federal government's interest in ensuring that CTP is eligible for the federal funds it requests and receives from the Travel Promotion Fund, including CTP's proper meeting of matching requirements, and that CTP carries out its operations in accordance with the provisions of TPA, as amended. TPA, as amended, established several previously discussed accountability measures for CTP that will help the federal government monitor CTP's compliance with its provisions.

Note 26. Disclosure Public-Private Partnerships

The Department's evaluations of SFFAS 49, *Public-Private Partnerships: Disclosure Requirements*, identified three public-private partnerships (P3) for disclosure. Below are summary tables and detailed information for each of the P3s.

FY 2022

Contracts/Cooperative Agreement Awards	Actual Amount Received in FY 2022	Actual Amount Paid in FY 2022	Estimated Amount to be Received over Expected Life of Contract/ Cooperative Agreement Awards	Estimated Amount to be Paid over Expected Life of Contract/ Cooperative Agreement Awards
First Responder Network Authority Contract with AT&T Inc.	$ 195,000	$ 1,070,015	$ 18,000,000	Cannot be Estimated
NOAA Cooperative Agreement Awards with 11 Regional Associations	–	20,800[1]	–	$ 277,261
NIST Energy Savings Performance Contract with Johnson Controls Government Systems LLC	–	4,608	3,791	$ 104,435
Total	$ 195,000	$ 1,095,423	$ 18,003,791	

[1] *Amount represents FY 2022 expenses.*

FY 2021

Contracts/Cooperative Agreement Awards	Actual Amount Received in FY 2021	Actual Amount Paid in FY 2021	Estimated Amount to be Received over Expected Life of Contract/ Cooperative Agreement Awards	Estimated Amount to be Paid over Expected Life of Contract/ Cooperative Agreement Awards
First Responder Network Authority Contract with AT&T Inc.	$ 120,000	$ 1,528,495	$ 18,000,000	Cannot be Estimated
NOAA Cooperative Agreement Awards with 11 Regional Associations	–	40,685[1]	–	$ 166,720
NIST Energy Savings Performance Contract with Johnson Controls Government Systems LLC	–	3,399	3,791	$ 104,435
Total	$ 120,000	$ 1,572,579	$ 18,003,791	

[1] *Amount represents FY 2021 expenses.*

First Responder Network Authority Contract with AT&T Inc.

The First Responder Network Authority (FirstNet), an independent authority within NTIA since its inception in 2012, was created to develop, deploy, and enhance wireless broadband communications for first responders—to give public safety 21st century communication tools to help save lives, and keep U.S. communities and emergency responders safe. To do that, Congress has tasked FirstNet ensuring the deployment and operation of a nationwide interoperable broadband network to meet the communication needs of public safety. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. See Note 22, *Funds from Dedicated Collections*, for more information on FirstNet.

The Nationwide Public Safety Broadband Network (NPSBN) is being built out, deployed, operated, and maintained under a P3 between FirstNet and AT&T Inc., under a 25-year contract awarded by FirstNet to AT&T in March 2017. The service will cover all 50 U.S. states, five territories, and the District of Columbia, including rural communities and tribal nations. The statutory authority for FirstNet to enter into the contract with AT&T is section 6206 of the Middle Class Tax Relief and Job Creation Act of 2012 (Act). For purposes of the information disclosed in this Note, due to the long length of the contract through 2042 and because FirstNet cannot reasonably estimate at this time what events might occur after the contract end date, the 25-year contract period is also treated as the expected life of this P3 arrangement.

FirstNet provides to AT&T, under the terms of the contract, the use of 20 MHz of federally owned Band 14 spectrum that Congress allocated to FirstNet under the Act. The Act mandates that the Band 14 spectrum be utilized for the deployment of the NPSBN. Task orders issued to AT&T thus far include (a) task orders providing for $6.50 billion in firm-fixed-price (FFP), success-based payments for the buildout of the NPSBN, with AT&T contract performance for all payment milestones under these task orders scheduled for completion March 2023 at Final Operational Capability; and (b) task orders for FFP deliverables for the continuing enhancement of the NPSBN. In return, AT&T will buildout, deploy, operate, and maintain the NPSBN over 25 years, consistent with the terms of an indefinite delivery/indefinite quantity contract awarded on March 27, 2017. AT&T will bring operational expertise, financial stability, and significant network assets. AT&T has publicly indicated that it will invest about $40.0 billion over the life of the contract to buildout, operate, deploy, and maintain the NPSBN, and together with FirstNet will help ensure that the NPSBN evolves with the needs of public safety. The Band 14 spectrum is nationwide, high-quality spectrum dedicated for priority use by public safety via the NPSBN. When the Band 14 spectrum is not in use by public safety, it will be available for commercial use by AT&T. In addition, AT&T has made all of its LTE bands available to public safety on the NPSBN. Further task orders have been issued to AT&T thus far for continuing enhancements to the NPSBN.

Payments made in FY 2022 and FY 2021 by FirstNet to AT&T for success-based payment milestones under the FFP buildout and continuing enhancement Task Orders total $1.07 billion and $1.53 billion, respectively. Costs incurred by FirstNet for the buildout and continuing enhancement of the NPSBN are recorded as an asset (less accumulated amortization) and include (a) costs incurred for completed and accepted AT&T contract performance for the buildout/continuing enhancement of the NPSBN; and (b) accrued costs for estimated, unbilled AT&T contract performance progress for buildout/continuing enhancement of the NPSBN. See Note 22, *Funds from Dedicated Collections – NTIA's Network Construction Fund*, for more information.

AT&T, under the contract terms, is required to make annual payments to FirstNet over the 25-year contract period totaling $18.00 billion, including the annual payment to be received in fourth quarter FY 2022 of $195.0 million and the annual payment received in fourth quarter FY 2021 of $120.0 million. Payments received from AT&T and that are retained by FirstNet are required by Section 6208 of the Act to be used only for constructing, maintaining, operating, or improving the NPSBN.

Payments by both parties are made directly to the other party. The contract with AT&T has a contract ceiling for the entire 25-year period of performance of $100.00 billion. Any other costs incurred by FirstNet associated with future, additional task orders shall be task-order dependent. No estimates can be made at this time as to any further payments to AT&T that might occur under any future task orders under the contract.

The contract incorporates, by reference, Federal Acquisition Regulation (FAR) clauses for (a) termination by the U.S. government for convenience (FAR 52.249-2, *Termination for Convenience of the Government (Fixed-Price)*); and (b) termination for default by the contractor (FAR 52.249-8, *Default (Fixed Price Supply and Service)*). The contract is a multiple-year vehicle and therefore does not contain the FAR clause 52.217-9, *Option to Extend the Term of the Contract*. The contract, however, contains FAR Clause 52.217-8, *Option to Extend Services*, which allows for continued performance of any services within the limits and at the rates specified in the contract for a period not to exceed six months.

FirstNet oversees and monitors the contract with AT&T to ensure it delivers on the requirements associated with deploying, operating, and maintaining the NPSBN through various mechanisms, including subscriber adoption targets, successful milestone completion, disincentives, and other mechanisms outlined in the contract. FirstNet oversees the verification and validation of the contractual requirements, as well as some products and services—in accordance with the terms of the contract—before they are deployed so that first responders will have the proven tools they need in disasters and emergencies. Through its Innovation and Test Lab in Boulder, CO, FirstNet is testing capabilities unique to public safety. FirstNet's P3 with AT&T provides first responders with access to mission-critical capabilities over the NPSBN, including priority and preemption features that give first responders their own "fast lane" on the NPSBN to communicate and share information during emergencies, large events, or other situations when commercial networks could become congested.

Contractual risks of loss to the federal government primarily relate to (a) AT&T's satisfactory performance under the terms of the contract and in accordance with the terms and conditions contained in subsequent task orders; and (b) that the contract may be subject to (1) future renewal(s) of the license of the federally owned spectrum that Congress allocated to FirstNet under the Act; and (2) FirstNet reauthorization.

As previously mentioned, the task orders issued thus far under the contract for buildout/continuing enhancement of the NPSBN are FFP awards (FAR Subpart 16.2, *Firm-Fixed-Price*). This type of arrangement provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience during performing. This award type places maximum risk upon the contractor and full responsibility for all costs and resulting profit or loss. However, even in an FFP type environment, risks can be categorized within three distinct types: cost, schedule, and technical performance.

In an FFP-type arrangement, the "cost risk" shifts from the government to the contractor—in this instance, from FirstNet to AT&T. An FFP-type award reduces price uncertainty by providing for a price that is not subject to adjustment based on the contractor's cost experience. It requires the contractor to complete all requirements for the established price. The payment amounts from AT&T to FirstNet were negotiated and are also contained in the resultant award to include the timing of such payments.

With regard to any scheduling and/or technical performance risk, AT&T provides mobile, broadband, video, and other communications services to U.S.-based consumers and companies globally—from the smallest business to the Fortune 1000. AT&T routinely performs required milestones on time or ahead of schedule to include demonstrations of increased user adoption by public safety per the terms and conditions of the NPSBN contract. This helps ensure reliable connections to critical information, communication, and coordination, which essentially helps public safety adoption targets. Therefore, although there is some risk pertaining to schedule and/or performance, the risk does not appear to be significant at this time based on AT&T's performance since award. FirstNet continues to monitor risk over the entire contract with AT&T and all awarded task orders.

This contract is modernizing and improving public safety communications by leveraging private sector resources, infrastructure, and cost-saving synergies to buildout, deploy, operate, and maintain the NPSBN. The P3 approach gives a fully funded, self-sustaining network that will serve public safety for years to come. This business model is built upon the efficient use of resources, infrastructure, cost-saving synergies, and incentives.

NOAA Partnerships with 11 Regional Associations (RA) under the federal program for the U.S. Integrated Ocean Observing System (IOOS)

NOAA partners with 11 RAs under the federal program for IOOS. IOOS is governed by the Integrated Coastal and Ocean Observation System Act of 2009 (ICOOS Act), as amended by the Coordinated Ocean Observations Act of 2020, which authorized the establishment of a National Integrated Ocean Observing System (System) and codified a governance structure within which the System will operate. The ICOOS Act explicitly vests authority in NOAA as the lead federal agency for implementation and administration of the System, and tasked NOAA to establish an IOOS Program Office. NOAA is additionally required to carry out its responsibilities in consultation with federal agency and regional partners.

IOOS is a federal-regional partnership working to provide new tools and forecasts to improve safety, enhance the economy, and protect the environment. Integrated ocean information is available in near real time, as well as retrospectively. Easier and better access to this information is improving the Nation's ability to understand and predict coastal events—such as storms, wave heights, and sea level change. Such knowledge is needed for everything from retail to development planning. Regional IOOS partners are essential to building and supporting IOOS. They provide increased observations, distinctive knowledge, and critical technological abilities, and apply these toward the development of products to meet regional and local needs.

IOOS is comprised of 11 RAs, which guide development of and stakeholder input to regional observing activities. The federal government, through the ICOOS Act, established the fundamental purpose and mission of the RAs with respect to its role in IOOS. RAs serve the Nation's coastal communities, including the Great Lakes, Caribbean, and Pacific Islands and territories. RAs design, maintain, and operate regional coastal observing systems. Each RA is managed by a board of directors drawn from stakeholders in the region. RAs work with agencies, industry, scientists, and others to tailor an observing system to address specific regional issues. The 11 RAs are:

- Alaska Ocean Observing System (AOOS)
- Caribbean Coastal Ocean Observing System (CARICOOS)
- Central and Northern California Ocean Observing System (CeNCOOS)
- Gulf of Mexico Coastal Ocean Observing System (GCOOS)
- Great Lakes Observing System (GLOS)
- Mid-Atlantic Regional Association Coastal Ocean Observing System (MARACOOS)
- Northwest Association of Networked Ocean Observing Systems (NANOOS)
- Northeastern Regional Association of Coastal Ocean Observing Systems (NERACOOS)

- Pacific Islands Ocean Observing System (PacIOOS)
- Southern California Coastal Ocean Observing System (SCCOOS)
- Southeast Coastal Ocean Observing Regional Association (SECOORA)

Furthermore, all 11 RAs are currently voluntarily certified by NOAA to be either a Regional Coastal Observing System (RCOS) or a Regional Information Coordination Entity (RICE), for which an RA, in order to be RCOS or RICE-certified, is required to implement specific practices regarding data collection, governance, and management. There was a name change from RICE to RCOS that became effective March 24, 2022; this name change has no substantive impact. The relevant federal regulations are located at Title 15, *Commerce and Foreign Trade*, Part 997, *Regional Information Coordination Entities*, of the Code of Federal Regulations (CFR).

Subsection 26, Civil liability, item (a), which is subject to conditions and restrictions set forth in items (b) through (d), states in full:

> "For purposes of determining liability arising from the dissemination and use of observation data gathered pursuant to the ICOOS Act and these regulations, any non-federal asset or regional information coordination entity incorporated into the System by contract, lease, grant, or cooperative agreement that is participating in the System shall be considered to be part of the National Oceanic and Atmospheric Administration. Any employee of such a non-federal asset or regional information coordination entity, while operating within the scope of his or her employment in carrying out the purposes of this subtitle, with respect to tort liability, is deemed to be an employee of the federal government."

NOAA currently has in place, as of September 30, 2022, separate cooperative agreements for each of the 11 RAs, totaling $277.3 million. Ten of the agreements have performance periods of July 1, 2021 through June 30, 2026, and one of the agreements has a performance period of August 1, 2021 through July 31, 2026. The cooperative agreements are with the fiscal sponsor for the RA; in a few cases, the RA also serves as its own fiscal sponsor. Payments are made by NOAA to the fiscal sponsor of the RA. NOAA breaks down a multi-year project period into "funding periods"—receipt by an RA of any NOAA financial assistance beyond the current funding period is contingent upon the availability of funds and satisfactory performance under the cooperative agreement and is at the sole discretion of NOAA. NOAA reserves the right to terminate funding for the award at any time throughout the award period should NOAA determine that a recipient is not meeting project milestones. NOAA's total expenses under the cooperative agreements with the 11 RAs for FY 2022 and FY 2021 is $20.8 million and $40.7 million, respectively.

The cooperative agreements' funding provided by NOAA to the 11 RAs is estimated by NOAA to be the predominate source of funding for each of the RAs, although the RAs may also receive some funding from other sources. NOAA does not have specific information on the dollar amounts of any additional funding received by the 11 RAs.

NOAA periodically conducts a competitive process (normally every five years) in which it requests proposals for NOAA funding for coordinated regional efforts that further the IOOS in sustaining and enhancing comprehensive regional coastal observing systems in 11 IOOS regions, and that build upon progress made to-date on the development of the regional coastal observing systems. NOAA expects successful awardees to serve as an RA responsible for operating the regional coastal observing system. Any organization, including the current awardee, may submit a proposal to serve as an RA; accordingly, an organization that currently serves as an RA may or may not be selected in the next competitive cycle. For purposes of the Department's evaluation of the expected lives of the NOAA partnerships with the RAs, because NOAA intends to continue the funding of and partnerships with RAs (successful awardees), NOAA's partnerships with RAs are considered to have expected lives that exceed five years.

Risk of loss under the partnerships with the 11 RAs primarily relates to NOAA being subject to the above discussed Subsection 26, *Civil liability*, of 15 CFR Part 997.

Any further possible risks of loss regarding the 11 RAs appear to relate to each RA's compliance with award provisions and satisfactory performance under the award. These risks of loss are mitigated in part because of NOAA's significant, continued involvement and monitoring of an RA's compliance with award requirements and performance under the award—RAs are required to report on progress and performance over the life of the cooperative agreement; and because NOAA breaks down a multi-year cooperative agreement into "funding periods" as previously discussed.

Furthermore, standard Departmental terms and conditions for these cooperative agreements include provisions for unsatisfactory performance or non-compliance with award provisions, internal controls, and audits, including provisions for the following:

- Failure to perform the work in accordance with award terms and maintain satisfactory performance as determined by the Department may result in implementation of additional award conditions pursuant to Title 2 of the CFR, *Grants and Agreements*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subsection 207, *Specific conditions*, or other appropriate enforcement action as specified in 2 CFR Part 200, Subsection 338, *Remedies for noncompliance*. Possible enforcement actions include temporarily withholding award payments pending correction of a deficiency, changing payment method to reimbursement only, disallowance of award costs, and wholly or partially suspending or terminating award.
- 2 CFR Part 200, Subsection 339, *Termination*, through Subsection 342, *Effects of suspension and termination*, apply to an award that is terminated prior to the end of period of performance due to recipient's material failure to comply with award terms and conditions.
- Each recipient must comply with standards for internal controls described at 2 CFR Part 200, Subsection 303, *Internal Controls*.
- An audit of the award may be conducted at any time.

NIST Energy Savings Performance Contract with Johnson Controls Government Systems LLC

NIST, in June 2015, awarded a FFP, multi-year, energy savings performance contract (ESPC) award of $44.5 million (subsequently amended to $44.7 million) to Johnson Controls Government Systems LLC (Johnson Controls or Contractor) for energy savings improvements for its Gaithersburg, MD campus.

ESPCs, per the U.S. Department of Energy, allow federal agencies to conduct energy projects with limited to no up-front capital costs, minimizing the need for Congressional appropriations. An ESPC is a working relationship between an agency and an energy service contractor. The contractor conducts a comprehensive energy audit for the federal facility and identifies improvements to save energy. In consultation with the agency, the contractor designs and constructs a project that meets the agency's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of an ESPC project must be covered by the energy, water, and related cost savings generated at the project site. The ESPC's cost savings must be verified and documented annually. After the contract ends, any additional cost savings accrue to the agency.

This NIST ESPC project, with a contract period of performance through January 2041, primarily provides for energy conservation measures (ECMs) for (a) electrical power generation and steam system improvements, and operational changes, for NIST's central steam plant on campus; and (b) capital improvements and operational changes for NIST's chiller plant on campus. The contract also includes Contractor costs for proposal development for energy surveys, including preliminary assessment, investment grade audit, and the final proposal; and Contractor project direct costs for executing the scope of the award. This contract was made pursuant to 42 U.S.C. Section 8287, Authority to enter into contracts, which addresses ESPCs awarded by federal agencies. For purposes of the information disclosed in this Note, the contract period is also treated as the expected life of this P3 arrangement.

ECMs include measures to increase energy efficiency of energy-consuming systems, in order to reduce water consumption and improve the efficiency of energy production systems that generate electrical and/or thermal energy. Johnson Controls is responsible for providing all labor, materials, and capital to install ECMs and provide operations and maintenance as specified in the contract.

Each ECM set forth in the contract for delivery by the Contractor includes a sites-specific Measurement and Verification (M&V) plan that specifies the M&V requirements and procedures that shall apply to the ECM based on various factors, such as type of ECM, projected value of energy savings, certainty/uncertainty of savings being achieved, and the intended risk allocation between NIST and the Contractor. The M&V plans are the primary vehicle that NIST will use to first document and then to periodically evaluate the performance expectations of the ESPC. The M&V plans state where and how energy, water, and related cost savings are going to occur and how they are to be calculated and verified. The Contractor will conduct annual M&V activities to verify operation of the installed equipment/systems and calculate the previous year's energy and water consumption reductions and cost savings, and compare verified, guaranteed, and actual savings. Lastly, the Contractor shall prepare and submit annual M&V reports to NIST, including data and calculations that demonstrate that continued ECMs performance achieves the guaranteed annual energy and water consumption reductions and related cost savings as specified in the contract.

Key financial data for this contract, as amended, is shown below:

Award Amount[1]	$ 44,656
Principal Financed[2]	$ 49,998
Total Estimated Cost Savings[3]	$ 112,141
Total Guaranteed Cost Savings[3]	$ 105,119
Total Payments to Contractor[3]	
Principal	$ 49,998
Performance Period Expenses (includes Contractor Profit)	34,629
Interest Expense	19,808
Total Payments	$ 104,435

[1] *Total Implementation Costs.*

[2] *Total Implementation Costs plus Total Financing Procurement Price.*

[3] *Implementation Period plus Post-acceptance Performance Period (19 Years).*

The implementation period payment to the financier of $2.0 million, which proceeded after project acceptance by NIST in November 2019, was made by NIST in December 2019, and post-acceptance performance period monthly payments to the financier, scheduled to be paid over 19 years, began in December 2019. Post-acceptance performance period payments made to the financier totaled $4.6 million in FY 2022, and totaled $3.4 million for FY 2021. General Property, Plant, and Equipment items purchased by NIST through this contract that meet NIST's capitalization thresholds will be capitalized (see Note 1.M, *General Property, Plant, and Equipment, Net*, for NIST's capitalization thresholds).

The contract incorporates, by reference, FAR clauses for (a) cancellation under multi-year contracts (FAR 52.217-2, *Cancellation Under Multiyear Contracts*); (b) termination by the U.S. government for convenience (FAR 52.249-2, *Termination for Convenience of the Government (Fixed-Price)*); and (c) termination for default by the contractor (FAR 52-249-8, *Default (Fixed-Price Supply and Service)*; and FAR 52.249-10, *Default (Fixed- Price Construction)*).

The contract includes monthly financial schedules, should circumstances of NIST cancellation or termination for convenience of the contract occur, for (a) Financing Termination Liability Amounts[1], ranging from $51.5 million prior to the first post-acceptance period monthly payment to $95 thousand for the second to last monthly payment; and (b) Total Cancellation Ceiling Amounts[2] ranging from $52.0 million prior to the first post-acceptance period monthly payment to $95 thousand for the second to last monthly payment.

Contractual risks of loss to the federal government primarily relate to (a) the Contractor's ongoing satisfactory performance throughout the project lifecycle to ensure that the project is successful as designed; and (b) that the success of this ESPC project is also dependent on the newly installed equipment being properly operated and maintained—the savings calculations are based on the equipment operating as installed and as specified by Johnson Controls.

Johnson Control's management approach is designed to support NIST throughout the project lifecycle, and the contract sets forth numerous Contractor responsibilities to help ensure that the project is successful as designed, and that the installed equipment operates as intended.

Because this ESPC project is an FFP-type, maximum cost risk is with Johnson Controls. For that reason, the Contractor carefully controls the ECM investment costs so that they do not exceed their recovery through the NIST payments. The Contractor has implemented a budget plan and will frequently monitor costs and address any developing cost problems.

With regard to any scheduling and/or technical performance risk, Johnson Controls is responsible for ensuring that energy savings are met throughout the performance period. NIST will not be penalized for delays caused directly by Johnson Controls or its subcontractors. The annual M&V data reviews will be used to ensure that the project proceeds as designed and to identify any actions needed to be carried out by either party as appropriate.

There have been delays in the project; however, the ESPC project is proceeding satisfactorily. Therefore, although there is some risk pertaining to schedule and/or performance, the risk does not appear to be significant at this time based on Johnson Controls' performance since award.

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1 Remaining Unamortized Principal Balance plus a 3.0 percent Termination Liability Prepayment Charge.

2 Maximum termination liability.

Note 27. COVID-19 Reporting

In FY 2020, the Department received funding under Public Law 116-136, *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) for multiple bureaus, as detailed below. The CARES Act provided funding in two divisions, Divisions A and B. The Department received funds under Division A, Title I, *Keeping American Workers Paid and Employed Act* and under Division B, *Emergency Appropriations for Coronavirus Health Response and Agency Operations*, Title II, which provided supplemental appropriations to various agencies, including the Department. In FY 2021, the Department received additional funding related to COVID-19 for several bureaus under both Public Law 116-260 (Division M, *Coronavirus Response and Relief Supplemental Appropriations Act, 2021*; and Division N, *Additional Coronavirus Response and Relief*) and Public Law 117-2, the *American Rescue Plan* (ARP) *Act of 2021*. Similar to the funding provided under the CARES Act, the funds received by the Department under these public laws will be used to advance economic development to those both directly and indirectly impacted by COVID-19. This includes providing grants to and entering into cooperative agreements with communities impacted by COVID-19 to support immediate and long-term economic recovery, planning and technical assistance, capitalization and recapitalization of non-federal Revolving Loan Funds, and construction and non-construction assistance. Additionally, funds received will be used to establish the Office of Minority Broadband Initiatives and help to expand broadband internet access in anchor communities for minorities and to implement the Tribal Broadband Connectivity program, which shall be used to make grants to assist in expanding access to broadband service on Tribal land.

As a result of the additional funding received in FY 2020 and 2021, related to the CARES Act, CRRSA Act, and ARP Act, the Department has seen an increase in assets, total financing sources related to an increase in appropriations received, gross costs with the public, and budgetary resources as the funds were made available to the Department and obligation and disbursement of the funds began. These impacts are expected to decrease over the next several years as the funds received under the above acts are obligated and disbursed.

FY 2022							
Bureau	Source	Amount of Funds Appropriated	Unobligated Balance Carried Over from FY 2021	Transfers In/(Out)	New Obligations and Upward/(Downward) Adjustments	Unobligated Balance as of September 30, 2022	Funds Available for Obligation Until
EDA	PL 116-136	N/A	$ 95,414	$ –	$ 93,947	$ 1,467	September 30, 2022
NOAA	PL 116-136	N/A	96	–	(771)	867	September 30, 2021
NIST	PL 116-136	N/A	45	–	(656)	701	September 30, 2021
MBDA	PL 116-136	N/A	–	–	(268)	268	September 30, 2021
OIG	PL 116-136	N/A	1,347	–	1,345	2	September 30, 2022
MBDA	PL 116-260	N/A	7,052	–	7,052	–	Until Expended
NOAA	PL 116-260	N/A	8	–	(1)	9	September 30, 2021
NTIA	PL 116-260	N/A	1,567,830	–	1,295,067	272,763	Until Expended
EDA	PL 117-2	N/A	2,990,756	–	2,966,917	23,839	September 30, 2022[1]
NIST	PL 117-2	N/A	59,961	–	59,954	7	September 30, 2022
OIG	PL 117-2	N/A	2,870	–	2,870	–	September 30, 2022
MBDA	PL 117-2	N/A	–	100,000	–	100,000	Until Expended
Total		$ –	$ 4,725,379	$ 100,000	$ 4,425,456	$ 399,923	

[1] *Up to two percent of the funds received by EDA under Public Law (PL) 117-2 are to be used for administrative costs associated with administering the relief funds and are available for obligation until September 30, 2027.*

FY 2021						
Bureau	Source	Amount of Funds Appropriated	Unobligated Balance Carried Over from FY 2020	New Obligations and Upward/ (Downward) Adjustments	Unobligated Balance as of September 30, 2021	Funds Available for Obligation Until
EDA	PL 116-136	N/A	$ 682,451	$ 587,037	$ 95,414	September 30, 2022
NOAA	PL 116-136	N/A	11,408	11,312	96	September 30, 2021
NIST	PL 116-136	N/A	1,568	1,523	45	September 30, 2021
MBDA	PL 116-136	N/A	–	–	–	September 30, 2021
OIG	PL 116-136	N/A	2,871	1,524	1,347	September 30, 2022
MBDA	PL 116-260	$ 25,000	–	17,948	7,052	Until Expended
NOAA	PL 116-260	300,000	–	299,992	8	September 30, 2021
NTIA	PL 116-260	1,585,000	–	17,170	1,567,830	Until Expended
EDA	PL 117-2	3,000,000	–	9,244	2,990,756	September 30, 2022[1]
NIST	PL 117-2	150,000	–	90,039	59,961	September 30, 2022
OIG	PL 117-2	3,000	–	130	2,870	September 30, 2022
Total		$ 5,063,000	$ 698,298	$ 1,035,919	$ 4,725,379	

[1] Up to two percent of the funds received by EDA under Public Law (PL) 117-2 are to be used for administrative costs associated with administering the relief funds and are available for obligation until September 30, 2027.

Note 28. Reclassification of Consolidated Statement of Net Cost for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (*Financial Report*), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the Department's FY 2022 *Consolidated Statement of Net Cost* and the Department's FY 2022 *Reclassified Statement of Net Cost* prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2021 *Financial Report* can be found at the Services for General Public page within the Bureau of the Fiscal Service website and a copy of the 2022 *Financial Report* will be posted to this site as soon as it is released.

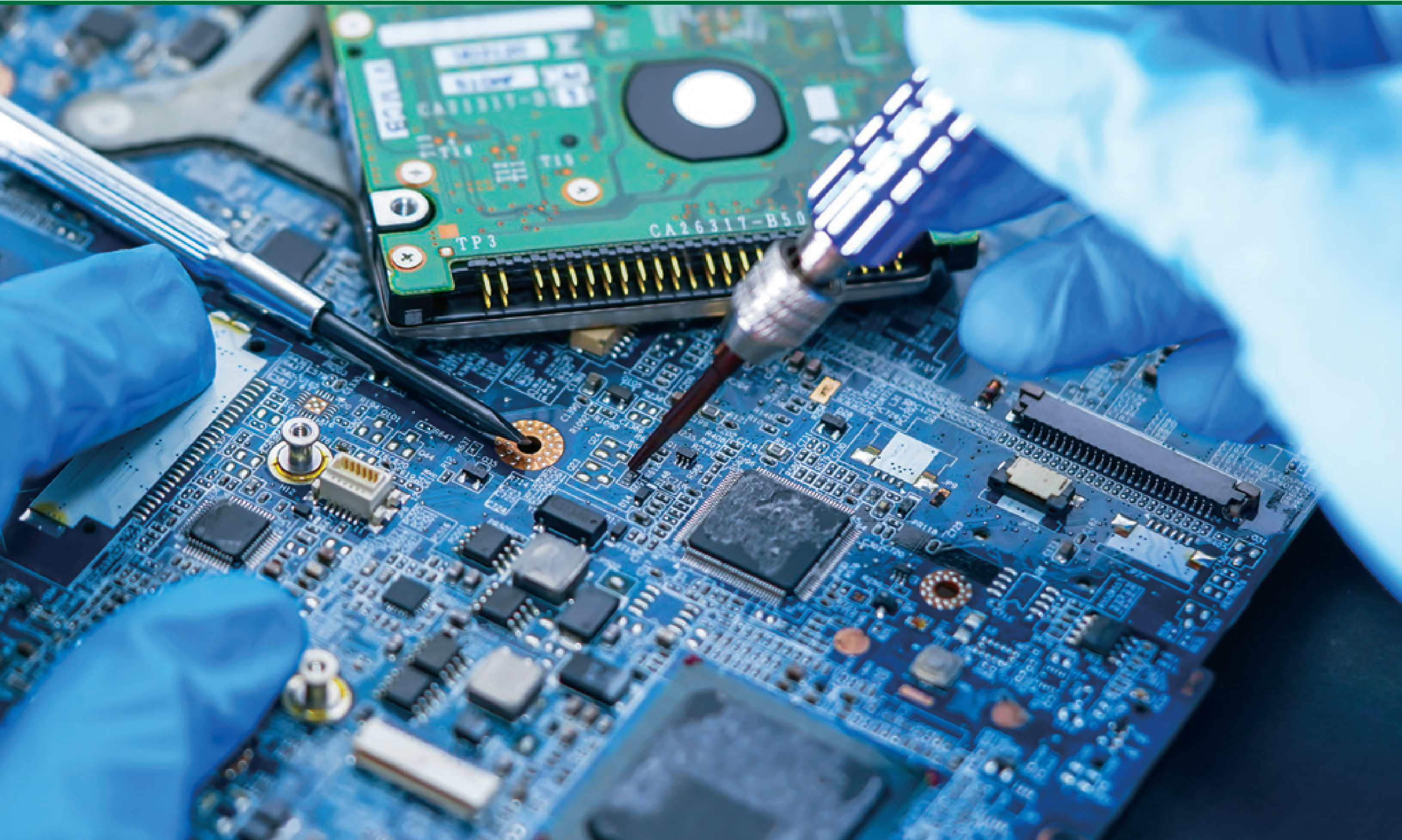
The term "intragovernmental" is used in this note to refer to amounts that result from other components of the federal government. The term "non-federal" is used in this note to refer to federal government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and state, local, and foreign governments.

Reclassification of Consolidated Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost
For the Year Ended September 30, 2022

Department of Commerce Consolidated Statement of Net Cost		Difference	Line Items Used to Prepare Government-wide Statement of Net Cost					
Financial Statement Line	**Amount**		**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other than Dedicated Collections Amounts (with Eliminations)**	**Eliminations Between Dedicated and Other than Dedicated**	**Total Amount**	**Reclassified Financial Statement Line**
								Non-federal Costs
			$ 3,334,165	$ –	$ 10,097,841	$ –	$ 13,432,006	Non-federal Gross Cost
			–	–	114,900	–	114,900	Gains/Losses from Changes in Actuarial Assumptions
			3,334,165	**–**	**10,212,741**	**–**	**13,546,906**	***Total Non-federal Costs***
								Intragovernmental Costs
			546,487	–	796,825	(140)	1,343,172	Benefit Program Costs
			51,573	–	240,633	–	292,206	Imputed Costs
			162,490	–	1,393,021	(36,222)	1,519,289	Buy/Sell Costs
			378	–	(378)	–	–	Purchase of Assets
			–	–	11,330	–	11,330	Borrowing and Other Interest Expense
			129,946	–	223,749	–	353,695	Other Expenses (without Reciprocals)
			890,874	**–**	**2,665,180**	**(36,362)**	**3,519,692**	***Total Intragovernmental Costs***
Total Gross Departmental Costs	**$ 17,066,598**	**$ –**	**4,225,039**	**–**	**12,877,921**	**(36,362)**	**17,066,598**	***Total Reclassified Gross Costs***
			(4,057,130)	–	(147,435)	–	(4,204,565)	Non-federal Earned Revenue
								Intragovernmental Revenue
			–	–	(216)	216	–	Benefit Program Revenue
			(9,654)	–	(822,263)	34,627	(797,290)	Buy/Sell Revenue
			(378)	–	378	–	–	Purchase of Assets Offset
			–	–	(1,610)	–	(1,610)	Borrowing and Other Interest Revenue
			(10,032)	**–**	**(823,711)**	**34,843**	**(798,900)**	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	**(5,003,465)**	**–**	**$ (4,067,162)**	**$ –**	**$ (971,146)**	**$ 34,843**	**(5,003,465)**	***Total Reclassified Earned Revenue***
NET COST OF OPERATIONS	**$ 12,063,133**	**$ –**					**$ 12,063,133**	**NET COST OF OPERATIONS**

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)



Required Supplementary Information

(Unaudited)

A Deferred Maintenance and Repairs

Deferred Maintenance and Repairs (DM&R) are maintenance and repairs that were not performed when they should have been, that were scheduled and not performed, or that were delayed for a future period. Maintenance and Repairs are activities directed toward keeping Property, Plant, and Equipment (PP&E) in acceptable operating condition. These activities include preventive maintenance, replacement of parts and structural components, and other activities needed to preserve the asset so that it can deliver acceptable performance and achieve its expected life. Maintenance and Repairs exclude activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater, than those originally intended. The significant portions of Departmental DM&R relate to PP&E of both the National Oceanic and Atmospheric Administration (NOAA) and the National Institute of Standards and Technology (NIST). NOAA and NIST represent 87 percent and 8 percent of the Department's General PP&E, Net balance as of September 30, 2022, respectively.

NOAA:

NOAA reports DM&R based on FASAB's definition of deferred maintenance. To measure DM&R NOAA uses Facilities Condition Assessment (FCA) surveys, which are periodic physical (i.e. visual) inspections of real property to determine their current condition and estimated repair or replacement cost for building/structural components based on their condition index and remaining useful life. For DM&R reporting purposes, NOAA completed a condition survey utilizing a questionnaire survey of the applicable inventory in fiscal year 2011. In FY 2015, NOAA started completing a new round of facility condition assessments (FCA). NOAA had planned to complete assessments of the applicable inventory by the end of FY 2021 but FCA work has been delayed by the COVID-19 pandemic. Completion of FCAs is dependent on sufficient budget resources being available and the ability to contract for the FCAs. NOAA plans to target continuing a five-year assessment cycle so that the entire applicable inventory is assessed approximately every five years but budgetary, contracting, or other constraints (such as the COVID-19 pandemic) may extend that cycle time.

NOAA performs Condition Assessment Surveys for capitalized NOAA-owned buildings, structures with acquisition cost over $200 thousand, and heritage assets. For financial reporting purposes, NOAA does not report on DM&R for:

- Owned real property that has been permanently removed from service or which NOAA is planning to permanently remove from service within five years;
- Structures with acquisition cost under $200 thousand; and
- Land and Stewardship Land as land does not have DM&R.

NOAA prioritizes maintenance and repair projects to sustain its inventory in acceptable operating condition, including maintaining warranties. As work becomes deferred, NOAA will prioritize those projects that will remedy health and safety deficiencies and minimize risk of mission failure.

Acceptable condition standards are established for real property by using industry standards for benchmarking and cost estimating. These standards are used to evaluate site and building conditions, which include the review of building systems such as civil, structure, architectural, life safety, mechanical, plumbing, elevators, electric, and others.

In measuring DM&R, FCAs report physical deficiencies that cannot be remedied with normal operating maintenance, excluding de minimis conditions that generally do not present a material physical deficiency to the subject property. Actionable items are typically considered to be (1) existing or potential unsafe conditions; (2) building or fire code violations as revealed by municipal agencies; or (3) conditions that if left unremedied, have the potential to result in or contribute to critical element or system failure in the near term, or shall result most probably in a significant escalation of its remedial cost.

The fourth quarter FY 2022 balance estimated cost is composed of DM&R for the applicable inventory from the FY 2011 inventory assessment and FCAs completed in FY 2015 through FY 2022. In FY 2020, NOAA implemented a new FCA reporting methodology using the BUILDER system from the U.S. Army Corps of Engineers (USACE). BUILDER uses a visual direct rating methodology whereby the assessor provides a rating level of the condition of each system/component and BUILDER compares that condition index against a NOAA-set condition index threshold, which automatically generates a repair action when its condition drops below a minimum performance limit. Based on the type, material, and condition of the component, BUILDER generates an estimated cost for corrective action (repair or replace). To the extent possible, data from previous FCAs was entered into the BUILDER system. Some data from the earliest FCAs could not be entered into BUILDER. These FCAs will be redone in the next FCA cycle and will be entered into BUILDER at that time. For data not in BUILDER, the data has been escalated based on the date of their FCA estimate and changes since then to the "Engineering News-Record" construction cost index. If the asset has yet to be assessed, the DM&R estimate from the Integrated Facilities Inspection Program (IFIP) in FY 2011 was utilized and escalated. IFIP estimates were used for only 20 properties representing approximately $5.4 million in DM&R. BUILDER cost database is updated annually with new replacement cost data by the USACE. Furthermore, NOAA decided in FY 2022 to apply a factor of 100 percent additional to BUILDER estimates to represent a better estimated cost of DM&R.

There was an increase in DM&R for buildings and multi-use heritage assets of $208.6 million from September 30, 2021 to September 30, 2022. The increase is primarily due to changes in the BUILDER methodology used by NOAA and a BUILDER update of costs.

Specific to personal property, DM&R relates solely to capitalized personal property meeting the $200 thousand threshold criteria. DM&R on capitalized personal property is reported with an estimated project cost of $25 thousand or more.

With the exception of NOAA's vessels, most of NOAA's capitalized personal property, such as weather systems, is required to be maintained on a regular basis as the public relies on information from these systems for their safety and livelihood. It is imperative that NOAA ensures that the systems are functioning properly. Therefore, maintenance on these systems is rarely deferred. Capitalized personal property is normally maintained through maintenance contracts, when appropriate.

NOAA performs Condition Assessment Surveys to determine the status of ships according to the priorities shown below:

Urgent and Immediate: Program has stopped until maintenance is performed.
Important: Maintenance must be performed within six months or program will stop.
Medium: Maintenance must be performed within two years or program will stop.
Low: Maintenance must be performed within five years or program will stop.
Very Low: Maintenance can be delayed indefinitely. No threat to program.

The following table shows NOAA's DM&R as of September 30, 2022 and 2021:

(In Thousands)

Asset Category	Deferred Maintenance and Repairs as of September 30, 2022	Deferred Maintenance and Repairs as of September 30, 2021
Buildings	$ 365,612	$ 193,394
Multi-use Heritage Assets	48,008	11,667
Ships	3,751	6,402
Total	**$ 417,371**	**$ 211,463**

NIST:

NIST measures DM&R (related to real property General PP&E) using FCA surveys, which are periodic visual inspections of PP&E to determine their current condition, and estimates the costs to correct identified deficiencies. NIST accomplishes its FCAs by contract. NIST originally scheduled its surveys on a cyclical basis with each appropriate asset being surveyed once every three years. For DM&R reporting purposes, NIST completed a baseline condition survey of the entire applicable inventory for the Gaithersburg, MD campus in 2011 and for the Boulder, CO campus in 2013. A third of the Gaithersburg inventory was reassessed in the third quarter of FY 2013, in the third quarter of FY 2014, and in the first quarter of FY 2015. A third of the Boulder inventory was reassessed in the second quarter of FY 2015, in the fourth quarter of FY 2016, and in the first quarter of FY 2017.

Deficiencies can be added to the respective campus' backlog in years when contractor inspections are not scheduled. During the scheduled on-site assessment, the contract inspector estimates the remaining useful life of various components that comprise a building's mechanical, electrical, plumbing, or building envelope closure system (architectural, roof, façade, etc.) and records this information into the BUILDER assessment software program. When a building system nears the end of its useful life, the software program adds a new self-generated replacement facility deficiency to the backlog list. NIST does not make a distinction between active or inactive assets for reporting DM&R. NIST will perform facility condition assessments surveys for capitalized NIST-owned buildings (including those fully depreciated).

With the end of the Gaithersburg and Boulder FCAs contracts in 2016 and 2018, respectively, NIST's current contract encompasses both campuses, unlike in the past where FCAs were conducted through separate, individual campus-focused contracts. The Federal Real Property Council's latest guidance requires facility assessments for each facility every five years if using condition assessments for reporting DM&R needs. NIST, in coordination with the Department, migrated its facility condition assessments data over to the U.S. Army Corps of Engineer's BUILDER Sustainment Management System (SMS). During FY 2018, NIST's existing database of backlog deficiencies was migrated from VFA facility software to the Army Corps of Engineers' BUILDER SMS. At the end of FY 2019, NIST awarded the replacement facility condition assessment and Capital Asset Management contract to a firm that is well versed in BUILDER SMS. The work that has been performed during FY 2020 includes the consulting firm reviewing and becoming familiar with the deficiency backlog that was migrated to BUILDER SMS and newly assessing the condition of NIST's facilities and their sustainability at its two main campuses and two radio stations. In FY 2020, NIST modified the contract to include the following additional professional Architectural/Engineering (A/E) services: to assess code compliance facility related deficiencies as they pertain to the National Electric Code, Fire Protection and Fire Alarm Codes, Life Safety Code, and Americans with Disabilities Act, and to assess the condition of NIST's on-site utilities infrastructure (domestic water, sanitary sewer, storm sewer, cooling distribution, heating distribution, electrical distribution, fuel distribution), and horizontal infrastructure outside buildings' immediate exterior envelope (roadways, parking lots, sidewalks, fencing) at the two main campuses. These deficiencies that were entered into the BUILDER software program in third quarter of FY 2021 are reflected in this report.

In FY 2021, NIST modified the contract a second time to include the following additional professional A/E services: perform a much more detailed visual reassessment of the D40 (Fire Protection) and D50 (Electrical) UNIFORMAT Level II building systems for all affected buildings located on the Gaithersburg, MD and Boulder, CO campuses. As of the third quarter of FY 2022, these deficiencies have been entered into the BUILDER software program and are reflected in this report. In FY 2022, NIST is modifying the contract a third time to include the following additional professional A/E services: perform a much more detailed visual reassessment of the D10 (Conveyance), D20 (Plumbing), and D30 (Mechanical) UNIFORMAT Level II building systems for all affected buildings located on the Gaithersburg, MD and Boulder, CO campuses. These deficiencies are anticipated to be reflected in the BUILDER software program by the third quarter FY 2023.

DM&R estimates relate to capitalized, non-capitalized, and fully depreciated real property. Effective with third quarter FY 2020 reporting, all DM&R for real property, including individual items with DM&R estimates costing less than $25 thousand, is reported under BUILDER SMS.

NIST prioritizes maintenance and repair projects to sustain its real property in good operating condition, including maintaining warranties. DM&R is impacted by funding shortfalls. Individual real property maintenance and repair projects are ranked using a Project Risk Table to determine the category of the risk (i.e., critical, high, medium, or low). Each project's risk is rated in five different areas (mission; safety and regulatory compliance; energy, sustainability, and resilience; economics; and preservation of heritage assets) and its likelihood of executability. An overall rating score is then determined for ranking purposes. A ranking can be adjusted to consider current projects underway, prioritization of future candidate projects, and budgetary funding outlook.

Acceptable real property facility condition standards are established by using building codes and/or industry standards for benchmarking and cost estimating. These standards are used to evaluate site and interior conditions, life safety, mechanical and plumbing systems, elevator and conveying systems, electrical systems, structural systems, building envelope closure systems, etc.

Facility condition index (FCI) values are calculated for each NIST facility. The ratio of the cost of correcting all facility deficiencies in a building divided by the cost of replacing the building is expressed on a 100 percentage point scale. The FCI index is 100 minus this ratio of cost expressed. This is somewhat similar to a system described by the Building Research Board of the National Research Council. Generally, a facility with an index above 95 is considered excellent, between 95 and 90 is considered good, between 90 and 85 is considered fair, and below 85 is considered poor.

The increase in DM&R of $94.3 million is primarily due to an increase in facility deficiencies of $120.5 million offset by deficiency corrections of $26.2 million during FY 2022.

The following table shows NIST's DM&R as of September 30, 2022 and 2021:

(In Thousands)

Assets Category	Deferred Maintenance and Repairs as of September 30, 2022	Deferred Maintenance and Repairs as of September 30, 2021
Buildings	$ 627,765	$ 542,386
Site Utilities and Infrastructure	265,992	257,033
Total	**$ 893,757**	**$ 799,419**

B Combining Schedule of Budgetary Resources by Major Budget Account

The table on the following page illustrates the Department's FY 2022 budgetary resources by major budget account. For more information on the NTIA Digital Television Transition and Public Safety Fund, NTIA Network Construction Fund, NTIA Public Safety Trust Fund, and USPTO Salaries and Expenses Fund, see Note 22 to the financial statements, *Funds from Dedicated Collections*.

United States Department of Commerce Combining Schedule of Budgetary Resources by Major Budget Account
For the Year Ended September 30, 2022 *(In Thousands)*

	Combined Total	Census Bureau Periodic Censuses and Programs	EDA Economic Development Assistance Programs	NIST Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund	NOAA Operations, Research, and Facilities	NOAA Procurement, Acquisition, and Construction	NTIA Broadband Connectivity Fund	NTIA's Broadband Equity, Access, and Deployment Program	NTIA Digital Television Transition and Public Safety Fund	NTIA Public Safety Trust Fund	USPTO Salaries and Expenses Fund	Other Budget Accounts
BUDGETARY RESOURCES:												
Unobligated Balance From Prior Year Budget Authority, Net	$ 9,271,838	$ 634,102	$ 3,297,629	$ –	$ 417,267	$ 393,850	$ 1,288,700	$ –	$ 124	$ 12,259	$ 733,856	$ 2,494,051
Appropriations	84,872,274	1,050,444	310,650	18,993,700	7,889,567	2,401,914	2,000,000	42,438,000	–	1,552	–	9,786,447
Borrowing Authority	29,782	–	–	–	–	–	–	–	–	–	–	29,782
Spending Authority From Offsetting Collections	6,338,495	–	–	–	290,231	908	–	–	–	–	4,059,566	1,987,790
TOTAL BUDGETARY RESOURCES	**$ 100,512,389**	**$ 1,684,546**	**$ 3,608,279**	**$ 18,993,700**	**$ 8,597,065**	**$ 2,796,672**	**$ 3,288,700**	**$ 42,438,000**	**$ 124**	**$ 13,811**	**$ 4,793,422**	**$ 14,298,070**
STATUS OF BUDGETARY RESOURCES:												
New Obligations and Upward Adjustments	$ 21,733,610	$ 1,191,180	$ 3,507,085	$ 223	$ 4,940,846	$ 1,646,234	$ 1,650,605	$ 66,814	$ –	$ 11,666	$ 3,809,681	$ 4,909,276
Unobligated Balance, End of Year												
Apportioned, Unexpired Accounts	69,580,177	95,025	91,509	18,993,477	739,125	612,569	1,638,095	42,371,186	–	2,138	980,431	4,056,622
Exempt From Apportionment, Unexpired Accounts	712	–	–	–	–	–	–	–	–	–	–	712
Unapportioned, Unexpired Accounts	8,603,122	–	9,685	–	2,808,075	522,646	–	–	124	7	3,310	5,259,275
Unobligated Balance, End of Year, Unexpired Accounts	78,184,011	95,025	101,194	18,993,477	3,547,200	1,135,215	1,638,095	42,371,186	124	2,145	983,741	9,316,609
Unobligated Balance, End of Year, Expired Accounts	594,768	398,341	–	–	109,019	15,223	–	–	–	–	–	72,185
Total Unobligated Balance, End of Year	**78,778,779**	**493,366**	**101,194**	**18,993,477**	**3,656,219**	**1,150,438**	**1,638,095**	**42,371,186**	**124**	**2,145**	**983,741**	**9,388,794**
TOTAL STATUS OF BUDGETARY RESOURCES	**$ 100,512,389**	**$ 1,684,546**	**$ 3,608,279**	**$ 18,993,700**	**$ 8,597,065**	**$ 2,796,672**	**$ 3,288,700**	**$ 42,438,000**	**$ 124**	**$ 13,811**	**$ 4,793,422**	**$ 14,298,070**
OUTLAYS, NET, AND DISBURSEMENTS, NET:												
Outlays, Net	$ 11,752,756	$ 1,240,633	$ 883,296	$ 127	$ 4,203,580	$ 1,630,470	$ 24,160	$ 35,774	$ 1,323	$ 10,942	$ (366,057)	$ 4,088,508
Distributed Offsetting Receipts	(21,034)	–	–	–	–	–	–	–	–	–	–	(21,034)
AGENCY OUTLAYS, NET	**$ 11,731,722**	**$ 1,240,633**	**$ 883,296**	**$ 127**	**$ 4,203,580**	**$ 1,630,470**	**$ 24,160**	**$ 35,774**	**$ 1,323**	**$ 10,942**	**$ (366,057)**	**$ 4,067,474**
DISBURSEMENTS, NET[1]	**$ (14,277)**											**$ (14,277)**

[1] *Includes only Non-budgetary Credit Reform Financing Accounts*

C Land and Land Rights

Per federal accounting standards, land is the solid part of the surface of the Earth. Excluded from the definition of land are the natural resources (that is, depletable resources such as mineral deposits and petroleum; renewable resources such as timber, and the outer-continental shelf resources) related to land.

Land rights are interests and privileges held by the entity in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, mineral rights, and other like interests in land. Land rights such as easements or rights-of-way, that are for an unspecified period of time or unlimited duration are considered permanent land rights. Temporary land rights are those land rights that are for a specified period of time or limited duration.

To improve the comparability of reporting federal land and land rights and the uniformity of disclosures, three subcategories predicated on land use for both General PP&E land and stewardship land are utilized: (1) commercial use land; (2) operational land; and (3) conservation and preservation land. NOAA, NTIA, and NIST are the only entities within the Department that have land held and permanent land rights. These three bureaus report land held and permanent land rights in the General PP&E category, while NOAA additionally reports land held in the Stewardship category. The Department does not have any temporary land rights.

The following tables summarize the Department's land and permanent land rights under the General PP&E and Stewardship categories as of October 1, 2021 and September 30, 2022:

General PP&E Land and Permanent Land Rights Estimated Number of Acres by Predominant Use

	Operational	Conservation and Preservation	Total Estimated Number of Acres
Land Held			
Beginning Balance, October 1, 2021	5,035	104	5,139
Ending Balance, September 30, 2022	5,035	104	5,139
Land Held for Disposal or Exchange			
Beginning Balance, October 1, 2021	27	–	27
Ending Balance, September 30, 2022	4	–	4
Permanent Land Rights			
Beginning Balance, October 1, 2021	128	–[1]	128[1]
Ending Balance, September 30, 2022	128	–[1]	128[1]

[1] *The Department's permanent land rights under the conservation and preservation subcategory further includes NIST water rights—6.25 shares and water rights to Anderson Ditch which crosses through NIST's Boulder campus.*

Stewardship Land and Permanent Land Rights Estimated Number of Acres by Predominant Use

	Operational	Conservation and Preservation	Total Estimated Number of Acres
Land Held			
Beginning Balance, October 1, 2021	7,961	1,955	9,916
Ending Balance, September 30, 2022	7,961	1,955	9,916
Permanent Land Rights			
Beginning Balance, October 1, 2021	–	75	75
Ending Balance, September 30, 2022	–	75	75

General Property, Plant, and Equipment Land and Permanent Land Rights

NOAA:

NOAA's General PP&E land and permanent land rights support its mission by serving as sites on which it locates its facilities, including office, research, laboratory, and other facilities. NOAA's General PP&E land also supports NOAA's mission by allowing for equipment and instruments to be located at those sites, including for observation of weather conditions and water levels, transmission of data and weather radio broadcasts, and surveying of fish and other aquatic wildlife. NOAA's permanent land rights are easements and rights-of-way and are usually non-exclusive easements. Many of these permanent land rights provide access to NOAA land sites or allow for utilities for those sites.

NOAA's General PP&E land held primarily consists of operational land for its facilities in Platteville, CO; Fairbanks, AK; and Sterling, VA, and includes operational land for facilities in many states in the United States.

The Platteville land is for the Oceanic and Atmospheric Research's (Earth System Research Laboratories), Chemical Sciences Laboratory. The Fairbanks land consists of multiple tracts and parcels for the National Environmental Satellite, Data, and Information Service's operations. The Sterling land is for the National Weather Service Sterling Field Support Center and Weather Forecast Office campus site.

NOAA utilizes 41 U.S.C., *Public Contracts*, Section 6301, *Authorization Requirement*, which states that the federal government may not acquire land unless the contract or purchase is authorized by law or is under an appropriation adequate to its fulfillment. NOAA also follows the requirements under 41 CFR, *Public Contracts and Property Management*, Subtitle C, Part 102-73, *Real Estate Acquisition*. NOAA acquires land only for specific mission needs that cannot be met by its existing inventory and only if properly authorized. NOAA follows applicable federal procedures for acquiring land via transfer in from other federal entities including from GSA.

NOAA maintains and uses its land in support of the mission that land serves. Its maintenance, such as landscaping, snow removal, and pest control are dependent on the use and location of the particular parcel of land.

NOAA disposes of land based on 41 CFR, Subtitle C, Part 102-75, Real Property Disposal. In special cases, specific legislation may also provide disposal authority for and direct the disposal of a particular location/site.

The following table summarizes NOAA's land and permanent land rights under the General PP&E category as of October 1, 2021 and September 30, 2022:

NOAA General PP&E Land and Permanent Land Rights Estimated Number of Acres by Predominant Use

	Operational	Total Estimated Number of Acres
Land Held		
Beginning Balance, October 1, 2021	2,256	2,256
Ending Balance, September 30, 2022	2,144	2,144
Land Held for Disposal or Exchange		
Beginning Balance, October 1, 2021	13	13
Ending Balance, September 30, 2022	4	4
Permanent Land Rights		
Beginning Balance, October 1, 2021	128	128
Ending Balance, September 30, 2022	128	128

NTIA:

NTIA's General PP&E land held consists of operational land for its facilities located north of Boulder, Colorado.

The Department's Table Mountain Field Site and Radio Quiet Zone, located north of Boulder, Colorado, supports the fundamental research activities of NTIA's Institute for Telecommunication Sciences, NOAA, NIST, NTIA, and the U.S. Geological Survey (U.S. Department of the Interior). The property was originally leased by the Boulder laboratories in 1954 for the purpose of performing radio experiments and was subsequently purchased by the government in 1961.

Essential features of the site include:

- Homogeneous underlying soils
- Special purpose laboratory facilities
- Buried cabling and utilities to minimize radiated noise and interference
- Radio quiet zone protection by both State and Federal laws from strong, external signals

These unique characteristics make the site ideal for sensitive radio or electromagnetic experiments, by federal agencies and Cooperative Research and Development Agreement (CRADA) partners as well as for applications needing low vibration and unobstructed views of the sky. Additionally, the measurements collected at the site provide valuable historical data against which new measurements may be compared.

Responsibility for the management of the site property resides with NTIA's Director for the Institute for Telecommunication Sciences.

The following table summarizes NTIA's land and permanent land rights under the General PP&E category as of October 1, 2021 and September 30, 2022:

NTIA General PP&E Land and Permanent Land Rights Estimated Number of Acres by Predominant Use

	Operational	Total Estimated Number of Acres
Land Held		
Beginning Balance, October 1, 2021	1,704	1,704
Ending Balance, September 30, 2022	1,704	1,704

NIST:

NIST is the sole national institute and one of the premier international agencies dedicated to metrological research (measurement science). Having unique and discrete, special purpose research facilities interspersed amid sufficient acreage is critical to ensure the necessary environmental vibration isolation is present and available to conduct increasingly and ever-exacting scientific research that assures authority and traceability of all NIST published standards and data upon which academia, commerce, and industry depend. NIST's ownership of land and facilities has proven essential so that long-term research experiments are not threatened with the need to be coordinated with typical real property lease cycles. The NIST Organic Act allows NIST to acquire land for facilities that are necessary to meet its mission.

NIST's land held and permanent land rights are for the General PP&E category under the operational and conservation and preservation land subcategories. NIST's operational subcategory includes land held for its campuses including the Gaithersburg campus in Gaithersburg, MD for its laboratories and support facilities; Fort Collins campus in Fort Collins, CO for the Fort Collins Active Radio Station and support facilities; Boulder campus in Boulder, CO for the laboratories and support facilities; and the Erie campus in Erie, CO transferred in from NOAA during FY 2022 for future use. NIST's conservation and preservation subcategory includes land held for its Boulder campus for protected area and related permanent land rights consisting of shares and water rights for the privately-owned Anderson Ditch which crosses through the Boulder campus.

NIST has established policies for maintaining and preserving its Gaithersburg and Fort Collins campuses and the privately-owned Anderson Ditch which crosses through the Boulder campus. Because these items have been either listed (Gaithersburg campus) or are eligible for listing in the National Register of Historic Properties, all proposed changes to the grounds and/or resources must comply with the Secretary of the Interior's Standards for the Treatment of Historic Properties and are subject to advance review and consultation with the applicable state historic preservation office.

The following table summarizes NIST's land and permanent land rights under the General PP&E category as of October 1, 2021 and September 30, 2022:

NIST General PP&E Land and Permanent Land Rights Estimated Number of Acres by Predominant Use

	Operational	Conservation and Preservation	Total Estimated Number of Acres
Land Held			
Beginning Balance, October 1, 2021	1,075	104	1,179
Ending Balance, September 30, 2022	1,187	104	1,291
Land Held for Disposal or Exchange			
Beginning Balance, October 1, 2021	14	–	14
Ending Balance, September 30, 2022	–	–	–
Permanent Land Rights			
Beginning Balance, October 1, 2021	–	[1]	[1]
Ending Balance, September 30, 2022	–	[1]	[1]

[1] NIST's permanent land rights under the conservation and preservation subcategory are for water rights—6.25 shares and water rights to Anderson Ditch which crosses through NIST's Boulder campus.

Stewardship Land

NOAA:

This *Stewardship Land* subsection is required by federal accounting standards to be presented based on amended federal accounting standards for stewardship land that become effective FY 2026, including an amended definition of stewardship land.

For the presentation of this subsection, the amended accounting standards for stewardship land that become effective FY 2026 provides a definition of stewardship land indicating that stewardship[1] land includes both public domain[2] and acquired land and land rights owned by the federal government and intended to be held indefinitely. Furthermore, related amended federal accounting standards for General PP&E that also become effective FY 2026 indicate that General PP&E land shall exclude (1) withdrawn public lands,[3] or (2) land restricted for conservation, preservation, historical, or other like restrictions. Such land shall remain categorized as stewardship land.

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1 Per FASAB's Handbook of Federal Accounting Standards and Other Pronouncements, as Amended, Appendix E, *Consolidated Glossary*, "The Federal Government's responsibility for the general welfare of the nation in perpetuity."

2 Per FASAB's Statement of Federal Financial Accounting Standards 59, *Accounting and Reporting of Government Land*, "Public domain land is land that was originally ceded to the United States by treaty, purchase, or conquest in contrast to acquired lands, which have been purchased by, given to, exchanged with, or transferred through condemnation proceedings to the federal government."

3 Per FASAB's Statement of Federal Financial Accounting Standards 59, *Accounting and Reporting of Government Land*, "To the extent consistent with statutory authorities, an entity may withdraw public lands from the public domain for specific uses. For example, an entity may withdraw public land from sale, settlement, or recreational use to expand buffer zones for security or training needs."

The amended federal accounting standards for stewardship land that become effective FY 2026, used for the preparation of this subsection, are different than the current federal accounting standards for stewardship land that are effective through FY 2025 for the presentation of the *Stewardship Property, Plant, and Equipment* note to the financial statements. It is the Department's understanding that FASAB's intention is that the presentation basis, requirements, and content of the *Required Supplementary Information* subsection for stewardship land will replace the current (through FY 2025) requirements and content of the Stewardship PP&E note to the financial statements. As of September 30, 2022 and October 1, 2021, there are not any differences between the stewardship land reported in *Required Supplementary Information (Unaudited)* and the stewardship land reported in the *Stewardship Property, Plant, and Equipment* note to the financial statements.

NOAA's stewardship land supports its mission by serving as sites for NOAA's operations, including for facilities and offices, observatories, laboratories, and rookeries.

NOAA's stewardship land held largely consists of operational land in Fairbanks, AK for the site of the National Environmental Satellite, Data, and Information Service's (NESDIS) Office of Satellite and Product Operations Gilmore Creek. The Fairbanks Command and Data Acquisition Station (campus) is NOAA's primary satellite ground station for downloading data from and sending commands to polar orbiting satellites.

NOAA's stewardship land under the conservation and preservation category largely includes five rookeries in St. Paul, AK, and also includes eight rookeries in St. George, AK.

See NOAA's *General Property, Plant, and Equipment Land and Land Rights* subsection above for information on NOAA acquisitions of land, maintenance and use of land, and disposals of land.

See the *Stewardship Property, Plant, and Equipment* note to the financial statements for more information on the composition of NOAA's stewardship land and for information on NOAA's real property community policies and procedures for stewardship land.

The following table summarizes NOAA's land under the Stewardship category as of October 1, 2021 and September 30, 2022:

NOAA Stewardship Land Estimated Number of Acres by Predominant Use

	Operational	Conservation and Preservation	Total Estimated Number of Acres
Land Held			
Beginning Balance, October 1, 2021	7,961	1,955	9,916
Ending Balance, September 30, 2022	7,961	1,955	9,916
Permanent Land Rights			
Beginning Balance, October 1, 2021	–	75	75
Ending Balance, September 30, 2022	–	75	75

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Other Information

(Unaudited)

National Data Buoy Center scientists and engineers developed the next evolution of the Tropical Atmosphere Ocean buoy and have deployed three prototypes this year (one is pictured here). The new buoys have more sensors to meet climate research needs, including measuring solar radiation. *Credit: NOAA*

Office of Inspector General Summary on Top Management and Performance Challenges

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

INFORMATION MEMORANDUM FOR SECRETARY RAIMONDO

FROM: Peggy E. Gustafson, Inspector General, (202) 793-3336

DATE: October 13, 2022

CC: Don Graves, Deputy Secretary of Commerce
Eric Morrissette, Chief of Staff
André Mendes, Chief Information Officer
Jeremy Pelter, Acting Chief Financial Officer and Assistant Secretary for Administration
Operating Unit Heads
Operating Unit Audit Liaisons

RE: ***Top Management and Performance Challenges Facing the Department of Commerce in Fiscal Year 2023***
Final Report No. OIG-23-001

The Office of Inspector General is required by statute[1] to report annually the most serious management and performance challenges facing the U.S. Department of Commerce (the Department). Attached is our final report on the Department's top management and performance challenges for fiscal year 2023.

For each challenge identified within this memorandum, please find brief descriptions of the issues discussed in greater detail in the report.

Challenge 1: Improving the Department's Cybersecurity Effectiveness Through Zero Trust

- Continuing to mature the information technology (IT) security program
- Transitioning to zero-trust architecture

Challenge 2: Ensuring Continuity of Environmental Data from Satellites, Ships, Aircraft, and Ground-Based Systems and Improving Weather and Climate Services

- Maintaining continuity of geostationary and polar satellites
- Developing the next generation of satellite systems
- Protecting observations, operations, and communications from frequency interference
- Moving toward an operational collision avoidance support service
- Recapitalizing ships and aircraft

[1] 31 U.S.C. § 3516(d).

- Balancing weather service improvements and longer-term climate resilience

Challenge 3: Managing IT Investments and Improving Supported Operations

- Avoiding further delays to Business Applications Solution implementation
- Managing risks to the implementation of an enterprise grants management system

Challenge 4: Ensuring Prudent Financial Management and Oversight of Broadband Infrastructure Funding

- Acquiring and maintaining sufficient staff with proficiency to ensure proper oversight and use of funds
- Implementing appropriate measures to prevent, detect, and report potential fraud and hold grantees, subgrantees, contractors, and subcontractors accountable for performance

Challenge 5: Enforcing Fair and Secure Trade and Effectively Implementing Export Controls

- Combating unfair trade practices by effectively resolving trade barriers and enforcing U.S. trade agreements
- Combating China's military-civil fusion strategy
- Ensuring proper implementation of export controls related to Russia's invasion of Ukraine

Challenge 6: Deploying a Nationwide Public Safety Broadband Network (NPSBN)

- Ensuring a sound reinvestment process
- Ensuring appropriate task order oversight
- Ensuring proper NPSBN adoption and coverage

Challenge 7: Improving Management and Oversight of Contracts and Grants to Ensure Responsible Spending

- Ensuring the integrity of grant programs
- Ensuring programs approved for State Small Business Credit Initiative funding comply with program requirements
- Developing and retaining a competent acquisition workforce to support the Department's mission

Challenge 8: Establishing a Strong Framework with Adequate Resources to Support the 2030 Census Planning Efforts and Enhance Overall Survey Quality

- Ensuring the timely delivery of 2020 Census studies and the timely completion of the *2020 Post-Census Group Quarters Review* needed to inform 2030 Census planning

- Ensuring information from the *Post-Enumeration Survey* is used to develop a strategy for obtaining a more accurate count of certain demographic groups and state populations for the 2030 Census
- Enhancing the accuracy and reliability of the U.S. Census Bureau's address list
- Ensuring data products provide timely, reliable, and quality data to stakeholders

Challenge 9: Strengthening U.S. Leadership in Intellectual Property

- Continuing efforts to improve and maintain patent quality and service
- Protecting and supporting registration processes and trademark owners
- Improving critical mission support functions

The final version of the report will be included in the Department's *Annual Financial Report*, as required by law.[2] We remain committed to keeping the Department's decision-makers informed of problems identified through our audits and investigations so that timely corrective actions can be taken. In addition to the topics included in the fiscal year 2023 top management and performance challenges report, we will review the Department's efforts to implement the CHIPS and Science Act (Pub. L. No. 117-167).

We appreciate the cooperation received from the Department, and we look forward to working with you and the Secretarial Officers in the coming months. If you have any questions concerning this report, please contact me at (202) 793-3336.

[2] *Ibid.*

The complete OIG Report, *Top Management and Performance Challenges Facing the Department of Commerce in FY 2023* is published and available at: *https://www.oig.doc.gov/Pages/Top-Management-and-Performance-Challenges-Facing-the-Department-of-Commerce-in-FY-2023.aspx*

Summary of Financial Statement Audit and Management Assurances

Presented below is a summary of financial statement audit and management assurances for FY 2022. Table 1 relates to the Department's FY 2022 financial statement audit, which resulted in an unmodified opinion with no material weakness. Table 2 presents the number of material weaknesses reported by the Department under Section 2 of the Federal Managers' Financial Integrity Act (FMFIA)—either with regard to internal controls over operation or financial reporting, and Section 4, which relates to internal controls over financial management systems; as well as the Department's compliance with the Federal Financial Management Improvement Act (FFMIA).

Table 1. Summary of Financial Statement Audit

Audit Opinion:	Unmodified
Restatement:	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 2. Summary of Management Assurances

EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0
EFFECTIVENESS OF INTERNAL CONTROL OVER OPERATIONS (FMFIA § 2)						
Statement of Assurance:	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Material Weaknesses	0	0	0	0	0	0
CONFORMANCE WITH FINANCIAL MANAGEMENT SYSTEM REQUIREMENTS (FMFIA § 4)						
Statement of Assurance:	Systems conform with financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

COMPLIANCE WITH FFMIA		
	Agency	**Auditor**
1. System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. U.S. Standard General Ledger at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

Payment Integrity

Departmental Payment Integrity Information Included In Paymentaccuracy.gov

The U.S. Department of the Treasury (Treasury), in coordination with the U.S. Department of Justice and the Office of Management and Budget, established the PaymentAccuracy.gov website, located at *https://paymentaccuracy.gov*, to create a centralized location to publish information about U.S. government improper payments made to individuals, organizations, and contractors. This website also provides a centralized place where suspected incidents of fraud, waste, and abuse can be reported, and contains information about (1) current and historical rates and amounts of improper payments; (2) why improper payments occur; and (3) what agencies are doing to reduce and recapture improper payments.

Additionally, PaymentAccuracy.gov contains the Department's data for overpayments identified in FY 2022 and overpayments verified as recaptured in FY 2022, through all sources. The website also contains information about the results of improper payment statistical sampling and estimation performed in FY 2022, and other Departmental payment integrity and fraud-related information, including payment integrity information from prior fiscal years.

Civil Monetary Penalties' Adjustments for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996 and the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust their civil monetary penalties (CMP) for inflation to maintain their deterrent effect. A CMP is defined as any penalty, fine, or other sanction that is (1) for a specific monetary amount as provided by federal law, or has a maximum amount provided for by federal law; (2) assessed or enforced by an agency pursuant to federal law; and (3) assessed or enforced pursuant to an administrative proceeding or a civil action in the federal courts. The Department has been adjusting its CMPs for inflation since 1996 in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended. Effective 2017, agencies are required to make annual adjustments for inflation to CMPs, to take effect not later than January 15.

The Department published its 2022 adjustments for inflation to CMPs and the resulting inflation-adjusted CMP levels (Title 15, *Commerce and Foreign Trade*, Part 6, *Civil Monetary Penalty Adjustments for Inflation*, of the Code of Federal Regulations) in the Federal Register on January 4, 2022 (Vol. 87, No. 2, *Rules and Regulations*, pages 157-160). These adjustments for inflation to CMPs and the resulting inflation-adjusted CMP levels, which became effective on January 15, 2022, are also available at the Department's website at *http://www.osec.doc.gov/ofm/OFM_Publications.html*. The following table provides detailed information on each of the Department's CMPs as of January 15, 2022.

Department of Commerce Civil Monetary Penalties as of January 15, 2022

(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
Department of Commerce					
Penalty for each submission of a false, fictitious, or fraudulent claim for payment or benefits.	31 U.S.C. 3802(a)(1), Program Fraud Civil Remedies Act of 1986	Violation	1986	1986	Maximum $12,537
Penalty for each submission of a false, fictitious, or fraudulent written statement.	31 U.S.C. 3802(a)(2), Program Fraud Civil Remedies Act of 1986	Violation	1986	1986	Maximum $12,537
Penalty for each submission of a false, fictitious, or fraudulent claim for payment.	31 U.S.C. 3729(a)(1)(G), False Claims Act	Violation	1863	1986	Minimum $12,537 Maximum $25,076

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(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
Bureau of Economic Analysis					
Failure to furnish information required under chapter, whether required to be furnished in form of a report or otherwise, or to comply with rule, regulation, order, or instruction promulgated under chapter.	22 U.S.C. 3105(a), International Investment and Trade in Services Act	Failure to furnish information	1990	1990	Minimum $5,179 Maximum $51,796
Bureau of Industry and Security					
Violation of chapter or any regulation under chapter.	15 U.S.C. 5408(b)(1), Fastener Quality Act	Violation	1990	1990	Maximum $51,796
Prohibited acts relating to inspections.	22 U.S.C. 6761(a)(1)(A), Chemical Weapons Convention Implementation Act	Violation	1998	1998	Maximum $42,163
Recordkeeping violations.	22 U.S.C. 6761(a)(1)(B), Chemical Weapons Convention Implementation Act	Violation	1998	1998	Maximum $8,433
Unlawful act described in section 1705(a).	50 U.S.C. 1705(b), International Emergency Economic Powers Act	Violation	1977	2007	Maximum $330,947
Violation of section 22 U.S.C. 8124 or 22 U.S.C. 8141.	22 U.S.C. 8142(a), U.S. Additional Protocol Implementation Act	Violation	2006	2006	Maximum $34,265
Violation of this subchapter or any regulation, order, or license issued under this subchapter.	50 U.S.C. 4819, Export Controls Act of 2018	Violation	2018	2018	Maximum $328,121

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(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
Census Bureau					
Delinquency in filing export information.	13 U.S.C. 304, Collection of Foreign Trade Statistics	Violation	1962	2002	Each day's delinquency of a violation; total of not to exceed maximum per violation $1,525 Maximum per violation: $15,256
Unlawful export information activities.	13 U.S.C. 305(b), Collection of Foreign Trade Statistics	Violation	1962	2002	Maximum $15,256
International Trade Administration					
Violation of chapter or any regulation under chapter.	19 U.S.C. 81s, Foreign Trade Zone	Violation	1934	1934	Maximum $3,198
Violation of protective orders issued pursuant to NAFTA or the U.S.-Canada Agreement.	19 U.S.C. 1677f(f)(4), U.S.-Canada Free Trade Agreement Protective Order	Violation	1988	1988	Maximum $230,107
National Oceanic and Atmospheric Administration					
Noncompliance with the requirements of licenses or regulations issued under subchapter.	51 U.S.C. 60123(a), Land Remote Sensing Policy Act of 2010	Violation	2010	2010	Maximum $12,646
Violation for receiving and using unenhanced Landsat data as specified.	51 U.S.C. 60148(c), Land Remote Sensing Policy Act of 2010	Violation	2010	2010	Maximum $12,646
Violation from committing an act prohibited by section 773e.	16 U.S.C. 773f(a), Northern Pacific Halibut Act of 1982	Violation	1982	2007	Maximum $264,759
Violation of provisions of chapter.	16 U.S.C. 783, Sponge Act	Violation	1914	1914	Maximum $1,891
Fishing violation of section 957(a).	16 U.S.C. 957(d), Tuna Conventions Act of 1950	Violation	1962	1962	Maximum $94,487
Subsequent fishing violation of section 957(a).	16 U.S.C. 957(d), Tuna Conventions Act of 1950	Subsequent Violation	1962	1962	Maximum $203,511

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(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
National Oceanic and Atmospheric Administration *(continued)*					
Violation of section 957(b).	16 U.S.C. 957(e), Tuna Conventions Act of 1950	Violation	1962	1962	Maximum $3,198
Subsequent violation of section 957(b).	16 U.S.C. 957(e), Tuna Conventions Act of 1950	Subsequent Violation	1962	1962	Maximum $18,898
Import violation of section 957(c).	16 U.S.C. 957(f), Tuna Conventions Act of 1950	Violation	1962	1962	Maximum $407,024
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 957(i), Tuna Conventions Act of 1950	Violation	2015	[1]	Maximum $207,183[1]
For chapter enforcement, see 16 U.S.C. 1826g.	16 U.S.C. 959, Tuna Conventions Act of 1950	Violation	2015	[1]	Maximum $207,183[1]
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 971f(a), Atlantic Tunas Convention Act of 1975	Violation	2015	[1]	Maximum $207,183[1]
Act prohibited by section 973(c) as specified.	16 U.S.C. 973f(a), South Pacific Tuna Act of 1988	Violation	1988	1988	Maximum $575,266
Violation of provision of chapter or any regulation or permit issued hereunder.	16 U.S.C. 1174(b), Fur Seal Act Amendments of 1983	Violation	1983	1983	Maximum $27,384
Violation of provision of subchapter or of any permit or regulation issued thereunder.	16 U.S.C. 1375(a)(1), Marine Mammal Protection Act of 1972	Violation	1972	1972	Maximum $31,980
For section enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 1385(e), Dolphin Protection Consumer Information Act	Violation	1990	[1]	Maximum $207,183[1]
Violation of chapter or any regulation or permit issued under chapter.	16 U.S.C. 1437(d)(1), National Marine Sanctuaries Act	Violation	1984	1992	Maximum $195,054
Violation of provision of chapter or any provision of permit or certificate issued hereunder, or of any regulation issued to implement subsections as specified.	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violation	1973	1988	Maximum $57,527
Violation of provision of any other regulation issued under chapter as specified.	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violation	1973	1988	Maximum $27,612

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(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
National Oceanic and Atmospheric Administration *(continued)*					
Violation otherwise of provision of chapter, or regulation, permit, or certificate issued hereunder.	16 U.S.C. 1540(a)(1), Endangered Species Act of 1973	Violation	1973	1978	Maximum $1,891
Violation of act prohibited by 16 U.S.C. 1857.	16 U.S.C. 1858(a), Magnuson-Stevens Fishery Conservation and Management Act	Violation	1976	1990	Maximum $207,183
Violation of unlawful act under 16 U.S.C. 2435.	16 U.S.C. 2437(a), Antarctic Marine Living Resources Convention Act of 1984	Violation	1984	[1]	Maximum $207,183[1]
Violation of chapter or any regulation promulgated under chapter, deemed to be violation of 16 U.S.C. 2431-2444.	16 U.S.C. 2465(a), Antarctic Protection Act of 1990	Violation	1990	[1]	Maximum $207,183[1]
Violation of conduct prohibited by any provision of chapter as specified; or, violation of subsections (d) or (f) of 16 U.S.C. 3372.	16 U.S.C. 3373(a)(1), Lacey Act Amendments of 1981	Violation	1981	1981	Maximum $29,614
Violation of subsections (b) or (f) of 16 U.S.C. 3372, except as provided in section 3373(a)(1).	16 U.S.C. 3373(a)(2), Lacey Act Amendments of 1981	Violation	1981	1981	Maximum $740
Violation of unlawful act under section 3606(a).	16 U.S.C. 3606(b)(1), Atlantic Salmon Convention Act of 1982	Violation	1982	[1]	Maximum $207,183[1]
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 3637(b), Pacific Salmon Treaty Act of 1985	Violation	1985	[1]	Maximum $207,183[1]
Violation of provision of an order or regulation issued under this chapter, or for failure or refusal to pay, collect, or remit any assessment required under chapter.	16 U.S.C. 4016(b)(1)(B), Fish and Seafood Promotion Act of 1986	Violation	1986	1986	Minimum $1,253 Maximum $12,537
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 5010, North Pacific Anadromous Stocks Act of 1992	Violation	1992	[1]	Maximum $207,183[1]

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(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
National Oceanic and Atmospheric Administration *(continued)*					
Applicable to regulations issued under this subsection, per section 308 (16 U.S.C. 1858) of Magnuson-Stevens Fishery Conservation and Management Act (MSFCMA), violation of section 307, *Prohibited acts* (16 U.S.C. 1857) of MSFCMA.	16 U.S.C. 5103(b)(2), Atlantic Coastal Fisheries Cooperative Management Act	Violation	1993	[1]	Maximum $207,183[1]
Violation of unlawful act under section 5154(b).	16 U.S.C. 5154(c)(1), Atlantic Striped Bass Conservation Act	Violation	1984	[1]	Maximum $207,183[1]
Violation of act prohibited by 16 U.S.C 5505.	16 U.S.C. 5507(a), High Seas Fishing Compliance Act of 1995	Violation	1995	1995	Maximum $179,953
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 5606(b), Northwest Atlantic Fisheries Convention Act of 1995	Violation	1995	[1]	Maximum $207,183[1]
For chapter enforcement and additional prohibitions, see 16 U.S.C. 1826g.	16 U.S.C. 6905(c), Western and Central Pacific Fisheries Convention Implementation Act	Violation	2007	[1]	Maximum $207,183
Violation of provision of chapter or of any regulation promulgated under chapter, enforced as if violation of section 307 (*Prohibited acts*; 16 U.S.C. 1857) of MSFCMA.	16 U.S.C. 7009(c) and (d), Pacific Whiting Act of 2006	Violation	2007	[1]	Maximum $207,183[1]
Violation of provision of section 1978.	22 U.S.C. 1978(e), Fishermen's Protective Act of 1967	Violation	1971	1971	Maximum $31,980
Subsequent violation of provision of section 1978.	22 U.S.C. 1978(e), Fishermen's Protective Act of 1967	Subsequent Violation	1971	1971	Maximum $94,487
Violation of act prohibited by 30 U.S.C. 1461.	30 U.S.C. 1462(a), Deep Seabed Hard Mineral Resources Act	Violation	1980	1980	Maximum $81,540
Violation of act prohibited by 42 U.S.C. 9151.	42 U.S.C. 9152(c), Ocean Thermal Energy Conversion Act of 1980	Violation	1980	1980	Maximum $81,540

Footnote is shown at the end of this table.

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(Dollars in Actual Amounts)

CMP Description	Statutory Authority	CMP Type	Year CMP Originally Enacted	Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation)	CMP Level as of January 15, 2022
National Oceanic and Atmospheric Administration *(continued)*					
Violation regarding prohibition on sale of billfish, which shall be treated as an act prohibited by 16 U.S.C. 1857.	16 U.S.C. 1827a, Billfish Conservation Act of 2012	Violation	2012	[1]	Maximum $207,183[1]
Violation of act prohibited by 16 U.S.C. 7406.	16 U.S.C. 7407(b), Port State Measures Agreement Act of 2015	Violation	2015	[1]	Maximum $207,183[1]
Violation of prohibited act under 16 U.S.C. 1826g(e).	16 U.S.C. 1826g(f), High Seas Driftnet Fishing Moratorium Protection Act	Violation	2015	[1]	Maximum $207,183[1]
Violation of chapter, enforced as a violation of section 308 (*Civil penalties and permit sanctions*; 16 U.S.C. 1858) of MSFCMA.	16 U.S.C. 7705, Ensuring Access to Pacific Fisheries Act	Violation	2016	[1]	Maximum $207,183[1]
Violation of chapter, enforced as a violation of section 308 (*Civil penalties and permit sanctions*; 16 U.S.C. 1858) of MSFCMA.	16 U.S.C. 7805, Ensuring Access to Pacific Fisheries Act	Violation	2016	[1]	Maximum $207,183[1]
National Technical Information Service					
Disclosure or usage violation of subsection (1).	42 U.S.C. 1306c(c), Bipartisan Budget Act of 2013	Violation	2013	2013	Minimum $1,075 Maximum total penalty on any person for any calendar year, excluding willful or intentional violations $268,694

[1] *This National Oceanic and Atmospheric Administration maximum CMP, as prescribed by law, is the maximum CMP per 16 U.S.C. 1858(a), Magnuson-Stevens Fishery Conservation and Management Act CMP. The Latest Year of CMP Non-inflation Adjustment (via Statute or Regulation) for this maximum CMP is 1990.*

Oversight of Expired Grant and Cooperative Agreement Awards

The Department administers a diverse array of programs and projects concerned with the entire spectrum of business and economic development concerns. Departmental operating units and grants offices are responsible for the award, administration, and monitoring of these programs under a variety of legislative authorities, governing regulations, policies, and procedures using mandatory and discretionary grants and cooperative agreements. Awards are made to a wide variety of recipients, including state and local governments, for-profit or commercial organizations, non-profit organizations, and educational institutions. The administration of the Department's grant and cooperative agreement programs requires adherence not only to the program objectives for which funds are awarded, but also to sound business practices, as well as laws, regulations, policies, and procedures governing grants and cooperative agreements.

Unclosed, Expired Grant and Cooperative Agreement Awards for Which the Period of Performance Has Expired by Two Years or More

To promote the efficient administration of grants programs, OMB requires that significant reporting entities with federal grants programs must submit a brief high-level summary of expired, but not closed, federal grants and cooperative agreements (awards).

This reporting requirement is applicable to the seven bureaus that issue grants and/or other cooperative agreements: Census Bureau, Economic Development Administration (EDA), International Trade Administration (ITA), Minority Business Development Agency (MBDA), National Institute of Standards and Technology (NIST), National Oceanic and Atmospheric Administration (NOAA), and National Telecommunications and Information Administration (NTIA).

Challenges preventing the timely closing of these awards are primarily due to the delayed receipt of necessary closeout documentation (final performance report; final SF 425, *Federal Financial Report*; etc.), final indirect cost rate negotiations, audit disputes and/or debt collection requirements and the Department's grant-making bureaus are diligently working with the respective recipients in resolving each particular issue.

Additionally, from an oversight perspective, the grant-making bureaus submit a bi-monthly report to the Department's Financial Assistance Policy and Oversight Division (FAPOD) detailing the status of all expired awards. FAPOD consolidates these reports and presents the information during the Department's bi-monthly Grants Council meetings for review and analysis.

The table below summarizes the Department's total number of grant and cooperative agreement awards and balances as of September 30, 2022 for which closeout has not yet occurred but for which the period of performance has elapsed by two years or more.

(Numbers of Agreements in Actual Amounts; Dollars in Thousands)

Category	Period of Performance has Expired as of September 30, 2022		
	Closeout Lapse of Two Years or More and up to Three Years	Closeout Lapse of Three Years or More and up to Five Years	Closeout Lapse of Five Years and More
Number of Grants/Cooperative Agreements with Zero Dollar Balances	9	3	6
Number of Grants/Cooperative Agreements with Undisbursed Balances	20	18	9
Total Dollar Amount of Undisbursed Balances	$ 5,427	$ 3,516	$ 605

Undisbursed Balances in Expired Grant Accounts

Undisbursed balances in expired grant accounts (which includes both grants and cooperative agreements) include budget authority that is no longer available for new obligations but is still available for disbursement. The period of disbursement lasts for five years after the last unexpired year unless the expiration period has been lengthened by legislation. Specifically, one may not incur new obligations against expired budget authority, but one may liquidate existing obligations by making disbursements (Section 20.4(c), *Period of availability of budget authority*, of OMB Circular A-11 Revised dated August 15, 2022, *Preparation, Submission, and Execution of the Budget)*.

In December 2015, Congress passed the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 (Division B of the Consolidated Appropriations Act, 2016, Public Law 114-113), which required the Department to report undisbursed balances in expired grant accounts. OMB Memorandum M-16-18, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, requires this information to be included each year until instructed otherwise if the requirement is included in subsequent fiscal years' appropriations acts.

This reporting requirement is currently applicable to six of the seven bureaus that issue grants and/or other cooperative agreements, as previously discussed, with the exclusion of EDA.

Both NIST Grants Management Division (GMD) and NOAA GMD have teams that are responsible for reviewing, closing out, and deobligating undisbursed balances in expired awards. As part of their routine grants management responsibilities, these offices review reports that identify expired awards with undisbursed balances of funds as well as expired awards that may have existing audit findings or other unresolved matters which require further coordination prior to deobligating funds and closing out an award.

During its reviews of expired awards with undisbursed obligations, NIST GMD reconciles the recipient's final SF 425, *Federal Financial Report*, against the amount of funding remaining in NIST's financial system. NIST GMD works with all relevant parties to resolve any discrepancies prior to the deobligation of funds and begins the deobligation process once it is determined that the recipient is not owed any further federal funding and that all relevant issues are resolved. NIST has a Grants Management Officer assigned to oversee the closeout process. This individual routinely obtains reports from its Grant Management Information System to identify any awards that have expired and that are eligible for the closeout process. Additionally, these reports identify if any undisbursed obligations remain in the award account. If there is an unobligated balance, NIST's finance office uses the budget account to determine what unobligated funds, if any, may be returned to Treasury. Any funds that are returned to Treasury are typically returned to Treasury upon the budget account entering the cancelled phase.

On a monthly basis, NOAA GMD obtains and reviews an Undisbursed Funds Chart to track expired grant awards with undisbursed obligations. Upon review and acceptance of the recipient's SF 425, NOAA GMD completes and submits a deobligation request to NOAA's finance office. After deobligation is completed, NOAA's finance office identifies the applicable budget account and determines what, if any, unobligated funds may be returned to Treasury.

Each bureau submits a bi-monthly report to the Department's FAPOD detailing the current status of expired awards—number of expired awards not yet closed and undisbursed balances of funds in these awards. FAPOD consolidates these reports and presents the information during the Department's bi-monthly Grants Council meetings for review and analysis. A direct impact of the Grants Council's oversight has been the Department's significant progress in reducing the backlog of closeouts and deobligations.

The table on the following pages presents, for each applicable budget account as of September 30, 2022, 2021, and 2020, the number of expired grant awards with undisbursed obligations, the number of undisbursed obligations relating to expired grant awards, and the total unobligated balance in the budget account. The total unobligated balance for each budget account shown includes the unobligated balances for both expired funds and unexpired funds.

(Numbers in Actual Amounts; Dollars in Thousands)

	Budget Account		As of September 30, 2022			As of September 30, 2021			As of September 30, 2020		
Bureau	**Number**	**Title**	**Number of Expired Grant Awards with Undisbursed Obligations**	**Undisbursed Obligations for Expired Grant Awards**	**Total Unobligated Balance in Budget Account**	**Number of Expired Grant Awards with Undisbursed Obligations**	**Undisbursed Obligations for Expired Grant Awards**	**Total Unobligated Balance in Budget Account**	**Number of Expired Grant Awards with Undisbursed Obligations**	**Undisbursed Obligations for Expired Grant Awards**	**Total Unobligated Balance in Budget Account**
Census	0450	Periodic Censuses and Programs, Census	1	$ 182	$ 493,366	–	$ –	$ 729,724	–	$ –	$ 1,939,580
MBDA	0201	Minority Business Development, MBDA	15	3,144	106,565	22	3,819	12,179	1	4	4,182
NIST	0500	Scientific and Technical Research and Services, NIST		3,430	562,971		2,288	26,367		2,415	34,149
	0513	Wireless Innovation Fund, NIST		1,360	43		65	46,815		140	108,667
	0525	Industrial Technology Services, NIST		5,954	4,517,634		11,885	65,457		2,853	8,526
	4650	Working Capital Fund, NIST		1,384	189,322		373	188,983		346	150,386
	Subtotal		210	12,128	5,269,970	184	14,611	327,622	157	5,754	301,728
NOAA	1450	Operations, Research, and Facilities, NOAA		36,729	3,656,219		18,697	347,194		12,051	446,602
	1451	Expenses, Pacific Coastal Salmon Recovery, NOAA		411	205		389	112		66	157
	1455	Gulf Coast Ecosystem Restoration Science, Observation, Monitoring and Technology, NOAA, Commerce		135	1,766		29	1,040		–	–
	1460	Procurement, Acquisition, and Construction, NOAA, Commerce		284	1,150,438		508	344,804		177	289,930
	2055	Fisheries Disaster Assistance, NOAA, Commerce		99	307,231		22	115,128		651	168,697

(continued on next page)

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(Numbers in Actual Amounts; Dollars in Thousands)

Bureau	Budget Account		As of September 30, 2022			As of September 30, 2021			As of September 30, 2020		
	Number	Title	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account	Number of Expired Grant Awards with Undisbursed Obligations	Undisbursed Obligations for Expired Grant Awards	Total Unobligated Balance in Budget Account
NOAA *(continued)*	4316	Damage Assessment and Restoration Revolving Fund, NOAA		$ 5	$ 202,833		$ 769	$ 239,460		$ –	$ 165,155
	5139	Promote and Develop Fishery Products and Research Pertaining to American Fisheries, NOAA		278	729		762	1,346		248	684
	5284	Limited Access System Administration Fund, NOAA		–	18,946		124	20,539		79	19,809
	5362	Environmental Improvement and Restoration Fund, NOAA		600	–		101	–		–	1
	Subtotal		488	38,541	5,338,367	435	21,401	1,069,623	324	13,272	1,091,035
NTIA	0516	State and Local Implementation Fund		–	18,915		–	13,248		1,276	8,015
	0551	Public Telecommunication Facilities, Planning and Construction, NTIA, Commerce		–	1,199		5,873	1,203		–	1,215
	5396	Digital Television Transition and Public Safety Fund, NTIA, Commerce		1,036	124		2,381	102		–	–
	Subtotal		1	1,036	20,238	17	8,254	14,553	4	1,276	9,230
Total			**715**	**$ 55,031**	**$11,228,506**	**658**	**$ 48,085**	**$ 1,423,977**	**486**	**$ 20,306**	**$ 1,406,175**

Climate-Related Financial Risk

In accordance with the requirements of President Biden's January 28, 2021, Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad*, the Department of Commerce was required to develop an adaptation and resilience plan to address the Department's most significant climate risks and vulnerabilities. The Department released its Climate Action Plan for Adaption and Resilience on October 7, 2021, and the plan is published at *https://www.sustainability.gov/pdfs/doc-2021-cap.pdf*. As discussed in the MD&A portion of this report, the Department completed a Progress Report to its Climate Action Plan as of June 30, 2022, which was released on October 6, 2022, and is available at *https://www.sustainability.gov/pdfs/doc-2022-cap.pdf*.

As a member of the National Climate Task Force (NCTF), designated in Executive Order 14008, the Secretary of Commerce and heads of bureaus are committed to further integrate climate change adaptation and resilience into all aspects of the Department's planning and operations through transparent decision-making and management of resources, both human and capital. Through the NCTF, Department-level town-halls, meetings with Department and bureau leadership, and enhanced training for employees on climate change adaptation and resilience, the Secretary has set a standard for climate literacy within the Department. Bureaus also have additional programs to increase staff literacy and capacity for services delivery. For example, the National Oceanic and Atmospheric Administration's National Weather Service (NWS) hosts the Professional Development Series in Climate Services, which includes online distance learning modules on climate variability and changes, NWS climate data and products, and climate communication and outreach practices.

The Department's most recent sustainability reports can be accessed at *https://www.sustainability.gov/doc.html*. This link contains information regarding the Department's performance toward energy and sustainability goals in the following categories:

- Facility Energy Use
- Water Use
- Renewable Energy
- Facility Efficiency Investments
- High Performance Sustainable Buildings
- Fleet Petroleum and Alternative Fuel
- Greenhouse Gas Emissions

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APPENDIX

(Unaudited)

Glossary of Acronyms

Abbreviation	Title
A **A/E**	Architectural/Engineering
ADA	Anti-Deficiency Act
AFR	Agency Financial Report
AGA	Association of Government Accountants
AI	Artificial Intelligence
APG	Agency Priority Goal
APPR	Annual Performance Plan and Report
ARP Act	American Rescue Plan Act (March 11, 2021)
ASA	Assistant Secretary for Administration
ASR	Annual Strategic Review
B **BAS**	Business Application Solutions
BEA	Bureau of Economic Analysis
BI	Business Intelligence
BIS	Bureau of Industry and Security
BRS	Blended Retirement System (NOAA Corps)
C **CARES Act**	Coronavirus Aid, Relief, and Economic Security Act (March 27, 2020)
CBS	Commerce Business Systems
CDA	Command and Data Acquisition (stations; NOAA)
CDQ	Community Development Quota (loan program; a NOAA direct loan program)
CEAR	Certificate of Excellence in Accountability Reporting (AGA)
CEIP	Coastal Energy Impact Program (a NOAA direct loan program)
CFO	Chief Financial Officer
CFO/ASA	Chief Financial Officer and Assistant Secretary for Administration (DM)
CFR	Code of Federal Regulations
CHIPS	Creating Helpful Incentives to Produce Semiconductors
CMP	Civil Monetary Penalty
COTS	Commercial off-the-shelf (software)
COVID-19	Coronavirus Disease 2019
CPI	Consumer Price Index
CSRS	Civil Service Retirement System (OPM)
CRRSA Act	Coronavirus Response and Relief Supplemental Appropriations Act (December 27, 2020)
CTP	Corporation for Travel Promotion (Disclosure Entity)
D **DATA Act**	Digital Accountability and Transparency Act of 2014
DEFC	Disaster Emergency Fund Code
DEIA	Diversity, Equity, Inclusion, and Accessibility
DM	Departmental Management
DM&R	Deferred Maintenance and Repairs
DOL	U.S. Department of Labor

Abbreviation	Title
E	
E2	Electronic Travel System, version 2 (travel management system)
EBS	Enterprise Business Suite
ECM	Energy Conservation Measure (ESPCs)
EDA	Economic Development Administration
EDW	Enterprise Data Warehouse
EPA	U.S. Environmental Protection Agency
ERM	Enterprise Risk Management
ESPC	Energy Savings Performance Contract
Evidence Act	Foundations for Evidence-Based Policymaking Act of 2018
F	
FAPOD	Financial Assistance Policy and Oversight Division (OAM)
FAR	Federal Acquisition Regulation
FASAB	Federal Accounting Standards Advisory Board
FCA	Facility Condition Assessment (NIST and NOAA DM&R)
FCC	Federal Communications Commission
FCI	Facility Condition Index (NIST DM&R)
FECA	Federal Employees' Compensation Act
FEGLI	Federal Employees' Group Life Insurance Program (OPM)
FEHB	Federal Employees Health Benefit Program (OPM)
FERS	Federal Employees Retirement System (OPM)
FFMIA	Federal Financial Management Improvement Act of 1996
FFP	Firm-Fixed-Price
FirstNet	First Responder Network Authority (an independent authority within NTIA)
FKNMS	Florida Keys National Marine Sanctuary (NOAA)
FMFIA	Federal Managers' Financial Integrity Act of 1982
FRAE	Further Revised Annuity Employees
FWC	Future Workers' Compensation (benefits; Actuarial FECA Liability)
FY	Fiscal Year ended September 30
G	
G-Invoicing	Government Invoicing (Treasury)
GAAP	Generally Accepted Accounting Principles
GAO	U.S. Government Accountability Office
GMD	Grants Management Division (NIST and NOAA)
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance and Results Modernization Act of 2010
GSA	U.S. General Services Administration
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System (Treasury)
I	
ICOOS Act	Integrated Coastal and Ocean Observation System Act of 2009
IFIP	Integrated Facilities Inspection Program
IFQ	Individual Fishing Quota (Fisheries Finance IFQ loans, a NOAA direct loan program)
IOOS	U.S. Integrated Ocean Observing System
IP	Intellectual Property
IT	Information Technology
ITA	International Trade Administration

	Abbreviation	Title
K	KPI	Key Performance Indicator
M	M&V	Measurement and Verification (NIST ESPC)
	MBDA	Minority Business Development Agency
	MD&A	Management's Discussion and Analysis
	MSFCMA	Magnuson-Stevens Fishery Conservation and Management Act (NOAA Civil Monetary Penalties)
N	N/A	Not Applicable
	NCTF	National Climate Task Force
	NHTSA	National Highway Traffic Safety Administration (U.S. Department of Transportation)
	NERR	National Estuarine Research Reserves
	NESDIS	National Environmental Satellite, Data, and Information Service (NOAA)
	NIST	National Institute of Standards and Technology
	NMFS	National Marine Fisheries Service (NOAA)
	NOAA	National Oceanic and Atmospheric Administration
	NOS	National Ocean Service
	NPSBN	Nationwide Public Safety Broadband Network
	NRHP	National Register of Historic Places
	NTIA	National Telecommunications and Information Administration
	NTIS	National Technical Information Service
	NWS	National Weather Service (NOAA)
O	OAR	Office of Oceanic and Atmospheric Research (NOAA)
	OFM	Office of Financial Management (DM)
	OIG	Office of Inspector General (DM)
	OMB	Office of Management and Budget
	OPM	U.S. Office of Personnel Management
	OS	Office of the Secretary
	OUSEA	Office of the Undersecretary for Economic Affairs
P	P3	Public–Private Partnership
	PIIA	Payment Integrity Information Act of 2019
	PL	Public Law
	PP&E	Property, Plant, and Equipment
R	R&D	Research and Development
	RA	Regional Association (Disclosure P3s – NOAA)
	RAE	Revised Annuity Employees (FERS)
	RCOS	Regional Coastal Observing Systems (Disclosure P3s – NOAA)
	RPMD	Real Property Management Division (NOAA)

Abbreviation	Title
S **S&E**	Salaries and Expenses (DM)
SaaS	Software-as-a-Service
SBR	Combined Statement of Budgetary Resources
SCNP	Consolidated Statement of Changes in Net Position
SF 132	Standard Form 132, *Apportionment and Reapportionment Schedule*
SF 133	Standard Form 133, *Report on Budget Execution and Budgetary Resources*
SF 425	Standard Form 425, *Federal Financial Report*
SFFAS	Statement of Federal Financial Accounting Standards (FASAB)
SMS	Sustainment Management System (USACE: NIST DM&R)
SOAR	Strategic Outreach and Recruitment
T **TBNMS**	Thunder Bay National Marine Sanctuary (NOAA and the State of Michigan)
TPA	Travel Promotion Act of 2009
Treasury	U.S. Department of the Treasury
TSP	Thrift Savings Plan
U **U.S.C.**	United States Code
UESC	Utility Energy Service Contract
USACE	U.S. Army Corps of Engineers
USFWS	U.S. Fish and Wildlife Service (U.S. Department of the Interior)
USPTO	U.S. Patent and Trademark Office
W **WCF**	Working Capital Fund (DM)
WIPO	World Intellectual Property Organization

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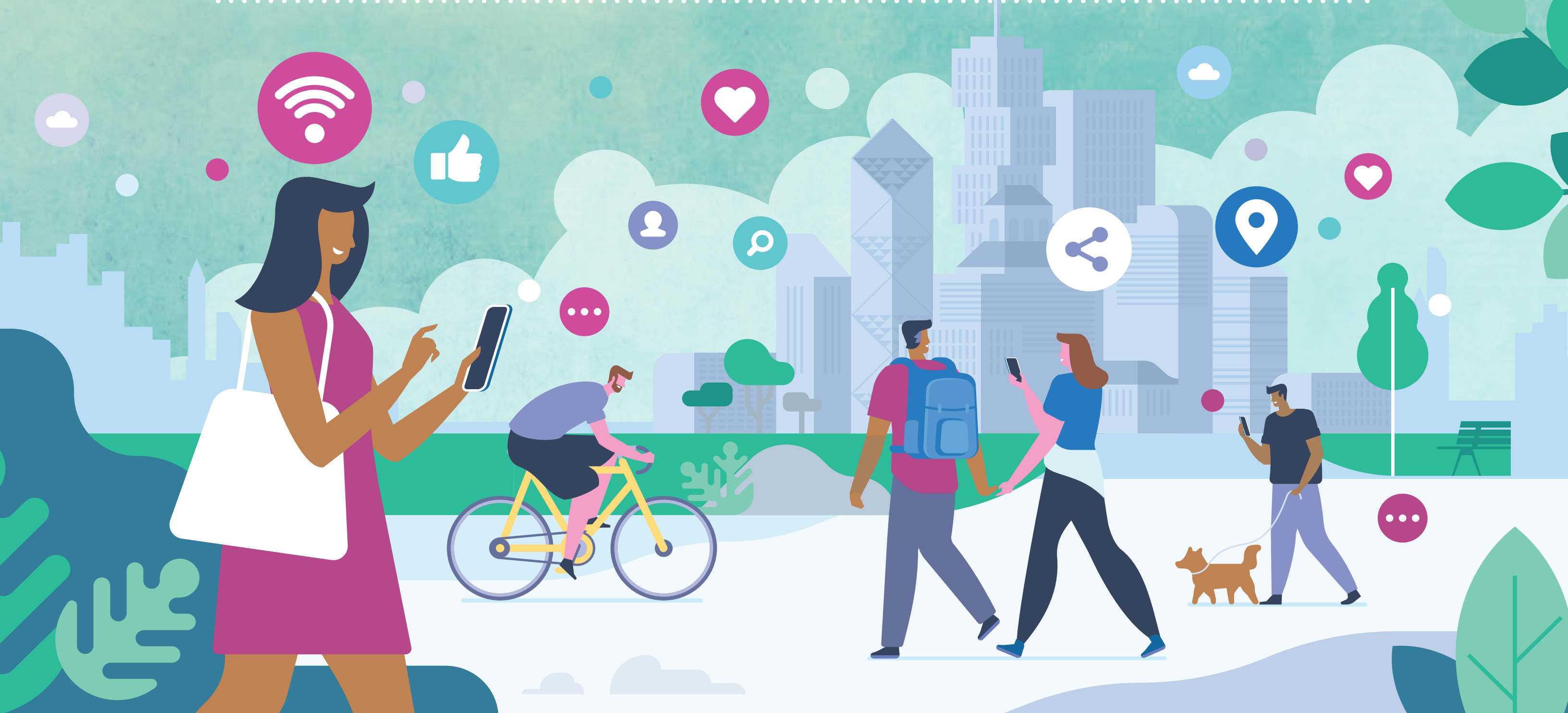

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Certificate of Excellence in Accountability Reporting

In May 2022, the U.S. Department of Commerce received the *Certificate of Excellence in Accountability Reporting* (CEAR) from the Association of Government Accountants (AGA) for its Fiscal Year 2021 Agency Financial Report. The CEAR Program was established by the AGA, in conjunction with the Chief Financial Officers Council and the U.S. Office of Management and Budget, to improve the effectiveness of financial and program accountability reporting.

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