




**U.S. COMMODITY FUTURES TRADING COMMISSION  
OFFICE OF INSPECTOR GENERAL**

Three Lafayette Centre  
1155 21st Street, NW, Washington, DC 20581

**TO:** Rostin Behnam, Chairman  
Kristin N. Johnson, Commissioner  
Christy Goldsmith Romero, Commissioner  
Summer K. Mersinger, Commissioner  
Caroline D. Pham, Commissioner

**FROM:** Dr. Brett M. Baker   
Acting Inspector General

**DATE:** November 15, 2023

**SUBJECT:** Audit of the CFTC Financial Statements (Fiscal Year 2023)

We contracted with the independent public accounting firm of Williams Adley & Company, LLP (Williams Adley) to audit the financial statements of the Commodity Futures Trading Commission (CFTC) as of and for the fiscal years ended September 30, 2023, and 2022, to provide a report on internal control over financial reporting, and to report on compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. Generally Accepted Government Auditing Standards (GAGAS).

In its audit of the CFTC financial statements, Williams Adley found:

- The financial statements present fairly, in all material respects, CFTC's financial position as of September 30, 2023, and 2022, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.
- The CFTC maintained, in all material respects, effective internal control over financial reporting; and
- No reportable noncompliance with provisions of laws tested or other matters.

Williams Adley is responsible for the attached auditor's report dated November 7, 2023 and the conclusions expressed therein. We do not express opinions on CFTC's financial statements or internal control over financial reporting or conclusions on compliance and other matters.

Attached is a copy of Williams Adley's unmodified (clean) opinion. Please call me with any questions at (202) 557-6466.

**Cc:**

David Gillers, Chief of Staff  
Tamika Bent, Chief Counsel  
Yevgeny Sharago, Senior Counsel and Policy Advisor  
Scott Lee, Senior Counsel and Policy Advisor  
Chris Lucas, Chief of Staff Counsel  
Meghan Tente, Chief of Staff  
Jeffery Sutton, Executive Director  
Janaka Perera, Chief Information Officer  
David Frederickson, Strategic Planning Officer  
Joel Mattingley, Chief Financial Officer  
Keith A. Ingram, Accounting Officer  
Mark Bullard, Financial Management Specialist  
John Rogers, Acting Chief, Business Operations  
Robert Schwartz, General Counsel  
Judith A. Ringle, Deputy Inspector General and Chief Counsel  
Miguel A. Castillo, Assistant Inspector General for Auditing



## Independent Auditor's Report

Chairman  
U.S. Commodity Futures Trading Commission

Inspector General  
U.S. Commodity Futures Trading Commission

In our audits of the fiscal years 2023 and 2022 financial statements of the U.S. Commodity Futures Trading Commission (CFTC), we found:

- CFTC's financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed<sup>1</sup>; and
- no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

### Report on the Financial Statements

#### Opinion

In accordance with *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, we have audited CFTC's financial statements. CFTC's financial statements comprise the balance sheets as of September 30, 2023, and 2022; the related statements of net cost, changes

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<sup>1</sup> A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

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

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

**WILLIAMS, ADLEY & COMPANY-DC, LLP**

*Certified Public Accountants/ Management Consultants*

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in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements. In our opinion, CFTC's financial statements present fairly, in all material respects, CFTC's financial position as of September 30, 2023, and 2022, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CFTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

CFTC management is responsible for:

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

#### Required Supplementary Information

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

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

#### Other Information

CFTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in CFTC's Agency Financial Report. The other information comprises the Inspector General's Assessment, Summary of Audit and Management Assurances, and Civil Monetary Penalty Adjustment for Inflation but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

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

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

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

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

We performed our procedures related to CFTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance<sup>5</sup>.

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

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

### Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of CFTC's financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered CFTC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CFTC's internal control over financial reporting. Accordingly, we do not express an opinion on CFTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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

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

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

<sup>5</sup> Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, issued on October 19, 2023. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

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

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

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

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2023 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to CFTC. Accordingly, we do not express such an opinion.

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

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

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

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

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

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

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

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

*Williams, Adley & Company-DC, LLP*

Washington, District of Columbia  
November 7, 2023





# FY 2023

## Financial Statements and Notes as of and for the Years Ended September 30, 2023 and 2022

Statement Run Date: 10/16/2023 11:16:04 AM

Version - 01

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Prepared by:  
CFTC Accounting Office

Compilation Date: 10/23/2023 10:40 AM





## STATEMENTS OF NET COST

### For the Years Ended September 30, 2023 and 2022

	2023	2022
<b>NET COST BY STRATEGIC GOAL</b>		
<b>STRATEGIC GOAL 1: STRENGTHEN DERIVATIVES MARKETS &amp; FOSTER THEIR VIBRANCY</b>		
Gross Costs	\$ 58,027,988	\$ 56,528,423
Less: Earned Revenue	(27,941)	(8,464)
<b>NET COST OF OPERATIONS -- STRATEGIC GOAL 1</b>	<b>\$ 58,000,047</b>	<b>\$ 56,519,959</b>
<b>STRATEGIC GOAL 2: REGULATE DERIVATIVES MARKETS IN INTEREST OF ALL AMERICANS</b>		
Gross Costs	\$ 57,579,762	\$ 55,247,419
Less: Earned Revenue	(27,725)	(8,272)
<b>NET COST OF OPERATIONS -- STRATEGIC GOAL 2</b>	<b>\$ 57,552,037</b>	<b>\$ 55,239,147</b>
<b>STRATEGIC GOAL 3: ENCOURAGE INNOVATION &amp; ENHANCE REGULATORY EXPERIENCE OF ALL</b>		
Gross Costs	\$ 46,684,430	\$ 44,375,305
Less: Earned Revenue	(22,479)	(6,644)
<b>NET COST OF OPERATIONS -- STRATEGIC GOAL 3</b>	<b>\$ 46,661,951</b>	<b>\$ 44,368,661</b>
<b>STRATEGIC GOAL 4: BE TOUGH ON THOSE WHO BREAK THE RULES</b>		
Gross Costs	\$ 139,701,688	\$ 84,373,035
Less: Earned Revenue	(44,592)	(12,629)
<b>NET COST OF OPERATIONS -- STRATEGIC GOAL 4</b>	<b>\$ 139,657,096</b>	<b>\$ 84,360,406</b>
<b>STRATEGIC GOAL 5: FOCUS ON UNIQUE MISSION &amp; IMPROVE OPERATIONAL EFFECTIVENESS</b>		
Gross Costs	\$ 89,886,491	\$ 87,962,299
Less: Earned Revenue	(43,281)	(13,170)
<b>NET COST OF OPERATIONS -- STRATEGIC GOAL 5</b>	<b>\$ 89,843,210</b>	<b>\$ 87,949,129</b>
<b>GRAND TOTAL</b>		
Gross Costs	\$ 391,880,359	\$ 328,486,481
Less: Earned Revenue	(166,018)	(49,179)
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 391,714,341</b>	<b>\$ 328,437,302</b>

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

## STATEMENTS OF CHANGES IN NET POSITION

### For the Years Ended September 30, 2023 and 2022

2023	Dedicated Collections	All Other Funds	Consolidated Total
<b>UNEXPENDED APPROPRIATIONS:</b>			
<b>BEGINNING BALANCES</b>	\$ -	\$ 137,086,524	\$ 137,086,524
Appropriations Received	-	365,000,000	365,000,000
Other Adjustments (+/-)	-	(2,595,302)	(2,595,302)
Appropriations Used	-	(329,431,548)	(329,431,548)
<b>Net Change in Unexpended Appropriations</b>	-	32,973,150	32,973,150
<b>TOTAL UNEXPENDED APPROPRIATIONS, ENDING</b>	\$ -	\$ 170,059,674	\$ 170,059,674
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>			
<b>BEGINNING BALANCES</b>	\$ 301,921,114	\$ 5,816,583	\$ 307,737,697
Appropriations Used	-	329,431,548	329,431,548
Nonexchange Interest Revenue (Note 3)	13,202,110	-	13,202,110
Financing Sources Transferred in from Custodial Statement Collections (Note 12)	-	-	-
Imputed Financing Sources (Note 1M)	-	11,349,217	11,349,217
Net Cost of Operations	(51,831,230)	(339,883,111)	(391,714,341)
<b>Net Change in Cumulative Results of Operations</b>	<b>(38,629,120)</b>	<b>897,654</b>	<b>(37,731,466)</b>
<b>TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING</b>	\$ 263,291,994	\$ 6,714,237	\$ 270,006,231
<b>NET POSITION</b>	\$ 263,291,994	\$ 176,773,911	\$ 440,065,905
2022	Dedicated Collections	All Other Funds	Consolidated Total
<b>UNEXPENDED APPROPRIATIONS:</b>			
<b>BEGINNING BALANCES</b>	\$ -	\$ 87,459,663	\$ 87,459,663
Appropriations Received	-	382,000,000	382,000,000
Other Adjustments (+/-)	-	(1,750,242)	(1,750,242)
Appropriations Used	-	(330,622,897)	(330,622,897)
<b>Net Change in Unexpended Appropriations</b>	-	49,626,861	49,626,861
<b>TOTAL UNEXPENDED APPROPRIATIONS, ENDING</b>	\$ -	\$ 137,086,524	\$ 137,086,524
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>			
<b>BEGINNING BALANCES</b>	\$ (92,073,033)	\$ (9,078,983)	\$ (101,152,016)
Appropriations Used	-	330,622,897	330,622,897
Nonexchange Interest Revenue (Note 3)	1,350,097	-	1,350,097
Financing Sources Transferred in from Custodial Statement Collections (Note 12)	398,498,439	-	398,498,439
Imputed Financing Sources (Note 1M)	-	6,855,582	6,855,582
Net Cost of Operations	(5,854,389)	(322,582,913)	(328,437,302)
<b>Net Change in Cumulative Results of Operations</b>	<b>393,994,147</b>	<b>14,895,566</b>	<b>408,889,713</b>
<b>TOTAL CUMULATIVE RESULTS OF OPERATIONS, ENDING</b>	\$ 301,921,114	\$ 5,816,583	\$ 307,737,697
<b>NET POSITION</b>	\$ 301,921,114	\$ 142,903,107	\$ 444,824,221

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

## STATEMENTS OF BUDGETARY RESOURCES

### For the Years Ended September 30, 2023 and 2022

	2023	2022
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 304,772,904	\$ 52,805,900
Appropriations	365,000,000	382,000,000
Spending Authority from Offsetting Collections	12,576,086	377,106,348
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 682,348,990</b>	<b>\$ 811,912,248</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and Upward Adjustments	\$ 356,004,047	\$ 511,348,819
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	349,995,605	350,040,567
Unapportioned, Unexpired Accounts	(35,103,079)	(57,983,358)
Unexpired Unobligated Balance, End of Year	314,892,526	292,057,209
Expired Unobligated Balance, End of Year	11,452,417	8,506,220
Unobligated Balance, End of Year (Total)	326,344,943	300,563,429
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 682,348,990</b>	<b>\$ 811,912,248</b>
<b>OUTLAYS, NET</b>		
Outlays, Net	\$ 333,045,249	\$ 126,661,665
Distributed Offsetting Receipts	(5,994)	(15,850)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 333,039,255</b>	<b>\$ 126,645,815</b>

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

## STATEMENTS OF CUSTODIAL ACTIVITY

### For the Years Ended September 30, 2023 and 2022

	2023	2022
<b>TOTAL CUSTODIAL REVENUE</b>		
<b>SOURCES OF CASH COLLECTIONS:</b>		
Registration and Filing Fees	\$ 1,650	\$ 1,141,644
Fines, Penalties, and Forfeitures	1,053,077,383	603,561,798
General Proprietary Receipts	5,994	15,850
<b>Total Cash Collections</b>	<b>1,053,085,027</b>	<b>604,719,292</b>
<b>Change in Custodial Receivables</b>	<b>(535,235,348)</b>	<b>624,812,458</b>
<b>TOTAL CUSTODIAL REVENUE</b>	<b>\$ 517,849,679</b>	<b>\$ 1,229,531,750</b>
<b>DISPOSITION OF COLLECTIONS</b>		
<b>AMOUNTS TRANSFERRED TO:</b>		
Department of the Treasury	\$ (1,053,085,027)	\$ (206,220,853)
CFTC Customer Protection Fund	-	(398,498,439)
<b>Total Disposition of Collections</b>	<b>(1,053,085,027)</b>	<b>(604,719,292)</b>
<b>Change in Custodial Liabilities</b>	<b>535,235,348</b>	<b>(624,812,458)</b>
<b>CUSTODIAL REVENUE LESS DISPOSITION OF COLLECTIONS</b>	<b>\$ -</b>	<b>\$ -</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

### As of and for the Years Ended September 30, 2023 and 2022

#### Note 1 Summary of Significant Accounting Policies

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##### A. Reporting Entity

The Commodity Futures Trading Commission (CFTC or Commission) is an independent agency of the executive branch of the Federal government. Congress created the CFTC in 1974 under the authorization of the Commodity Exchange Act (CEA) with the mandate to regulate commodity futures and option markets in the United States. The agency's mandate was renewed and expanded under the Futures Trading Acts of 1978, 1982, and 1986; the Futures Trading Practices Act of 1992; the CFTC Reauthorization Act of 1995; the Commodity Futures Modernization Act of 2000; and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act, or the Act). Congress passed the Food, Conservation, and Energy Act of 2008, which reauthorized the Commission through FY 2013. In the absence of formal reauthorization, the CFTC has continued to operate through annual appropriations.

The CFTC is responsible for ensuring the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trade practices, and fraud.

The Dodd-Frank Act significantly expanded the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the U.S. Department of the Treasury (Treasury) a revolving fund known as the CFTC Customer Protection Fund. The Customer Protection Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for the payment of awards to whistleblowers; and the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

##### B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the CFTC, as required by the Accountability of Tax Dollars Act of 2002. They are presented in accordance with the form and content requirements contained in OMB Circular A-136, *Financial Reporting Requirements*.

The financial statements have been prepared in all material respects in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB). The application and methods for applying these principles are appropriate for fairly presenting the entity's assets, liabilities,



financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities. Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

The books and records of the agency served as the source of information for preparing the financial statements in the prescribed formats. All agency financial statements and reports used to monitor and control budgetary resources are prepared from the same books and records. The statements should be read with the understanding that they are for a component of the U.S. Government.

The Balance Sheets present the financial position of the agency. The Statements of Net Cost present the agency's operating results and the Statements of Changes in Net Position display the changes in the agency's net position. The Statements of Budgetary Resources present the sources, status, and uses of the agency's resources and follow the rules for the Budget of the U.S. Government. The Statements of Custodial Activity present the sources and disposition of collections for which the CFTC is the fiscal agent, or custodian, for the Treasury General Fund Miscellaneous Receipt accounts.

Throughout these financial statements, assets, liabilities, revenues and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other federal entities. Intragovernmental earned revenues are collections or accruals of revenue from other federal entities, and intragovernmental costs are payments or accruals to other federal entities for goods and/or services provided. The CFTC does not transact business among its own operating units, and therefore, intra-entity eliminations were not needed.

### **C. Budgetary Resources and Status**

The CFTC is funded through congressionally approved appropriations. The CFTC is responsible for administering the salaries and expenses of the agency through the execution of these appropriations.

Congress annually enacts appropriations that provide the CFTC with the authority to obligate funds within the respective fiscal year for necessary expenses to carry out program activities. All appropriations are subject to quarterly apportionment as well as Congressional restrictions.

The CFTC's budgetary resources for FY 2023 consist of:

- Unobligated balances of resources brought forward from the prior year,
- Recoveries of obligations made in prior years, and
- New resources in the form of appropriations and spending authority from offsetting collections.

Unobligated balances associated with resources expiring at the end of the fiscal year remain available for five years after expiration only for upward adjustments of prior year obligations, after which they are canceled and may not be used. All unused monies related to canceled appropriations are returned to Treasury and the canceled authority is reported on the Statements of Budgetary Resources and the Statements of Changes in Net Position.

#### **D. Entity and Non-Entity Assets**

Assets consist of entity and non-entity assets. Entity assets are those assets that the CFTC has authority to use for its operations. Non-entity assets are those held by the CFTC that are not available for use in its operations, such as deposit fund balances and custodial fines, interest, penalties, and administrative fees receivable.

#### **E. Fund Balance with Treasury**

Fund Balance with Treasury is the aggregate amount of the CFTC's funds with Treasury in general, receipt, revolving, and deposit fund accounts. Appropriated funds recorded in general fund expenditure accounts are available to pay current liabilities and finance authorized purchases. Custodial collections recorded in the deposit fund and miscellaneous receipts accounts of the Treasury are not available for agency use. At fiscal year-end, receipt account balances that have not been transferred to the Customer Protection Fund are returned to Treasury.

The CFTC does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand. Spending authority from offsetting collections is recorded in the agency's expenditure account and is available for agency use subject to certain limitations. Additional information regarding the CFTC's Fund Balance with Treasury is provided in Note 2, Fund Balance with Treasury.

#### **F. Investments**

The CFTC is authorized to invest the portion of the Customer Protection Fund that is not, in the Commission's judgment, required to meet the current needs of the Fund. The Commission invests available funds through the U.S. Department of the Treasury's Bureau of the Fiscal Service.

Investments are carried at their historical cost basis which approximates fair value due to their short-term nature.

Interest earned on the investments is a component of the Fund and is available to be used for expenses of the Customer Protection Fund. Additional information regarding Customer Protection Fund investments are provided in Note 3, Investments.

## **G. Accounts Receivable, Net**

The CFTC's accounts receivable generally consists of amounts due from the public. The bulk of the CFTC's accounts receivable arise from the Civil Monetary Sanctions program and are reported on the Balance Sheet as "Custodial Fines and Interest Receivable, Net." The CFTC is responsible for collection, and recognizes a receivable, when an order of the Commission or a federal court directs payment to the CFTC. See Note 1T for additional information on the CFTC's custodial activity.

The remainder of the CFTC's accounts receivable, reported on the Balance Sheet as "Accounts Receivable, Net," consists of amounts owed to the CFTC by other federal agencies and employees. The CFTC's accounts receivable is valued net of an allowance for uncollectible amounts that is based on past experience in the collection of receivables and analysis of the outstanding balances. Additional information is provided in Note 4, Accounts Receivable, Net.

## **H. Advances and Prepayments**

Advances and Prepayments consist of payments to federal and non-federal sources in advance of the receipt of goods and services. These payments are recorded as prepayments and recognized as expenses when the related goods and services are received. Intragovernmental prepayments reported on the Balance Sheet were made primarily to the U.S. Department of Interior for contract support. Prepayments to the public were primarily for software maintenance and subscription services.

## **I. General Property, Plant, and Equipment, Net**

Furniture, fixtures, equipment, information technology hardware and software, and leasehold improvements are capitalized and depreciated or amortized over their useful lives. The CFTC capitalizes assets annually if they have useful lives of at least two years and an individual value of \$25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of \$25,000 or more. Property, plant, and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. Leasehold improvements are amortized over the remaining life of the lease. The Commission's assets are valued net of accumulated depreciation or amortization. Additional information is provided in Note 5, General Property, Plant, and Equipment, Net.

## **J. Liabilities**

The CFTC's liabilities include actual and estimated amounts that are likely to be paid as a result of transactions covered by budgetary resources for which Congress has appropriated funds or are otherwise available from reimbursable transactions to pay amounts due.

In addition to those liabilities covered by budgetary resources in existing legislation, the CFTC's liabilities also include those not requiring budgetary resources, and those not yet covered by budgetary resources. The CFTC liabilities not requiring budgetary resources include deferred lease liabilities, deposit funds, and custodial revenue deemed collectible but not yet collected at fiscal year-end. Liabilities that are not yet covered by budgetary resources but will require budgetary resources in the future include:

- Intragovernmental Federal Employees' Compensation Act (FECA) liabilities,
- Annual leave benefits that will be funded by annual appropriations as leave is taken,
- Actuarial FECA liabilities,
- Liability for whistleblower awards,
- Contingent liabilities, and
- Advances received for reimbursable services yet to be provided.

Additional information is provided in Note 6, Liabilities not Covered by Budgetary Resources.

## **K. Accounts Payable**

Accounts payable consists primarily of liabilities for amounts due for goods and services received as of the end of the reporting period but not yet paid and whistleblower awards finalized by the Commission but not yet paid.

## **L. Accrued Payroll and Benefits and Annual Leave Liability**

The accrued payroll liability represents amounts for salaries and benefits owed for the time since the payroll was last paid through the end of the reporting period. Total accrued payroll is composed of amounts to be paid to CFTC employees as well as the related intragovernmental payable for employer contributions and payroll taxes. The annual leave liability is the amount owed to employees for unused annual leave as of the end of the reporting period. At the end of each quarter, the balance in the accrued annual leave account is adjusted to reflect current balances and pay rates. Sick leave and other types of non-vested leave are expensed as taken.

The agency's employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). On January 1, 1987, FERS went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

For employees under FERS, the CFTC contributes an amount equal to one percent of the employee's basic pay to the tax-deferred Thrift Savings Plan and matches employee contributions up to an additional four percent of pay. FERS and CSRS employees can contribute a portion of

their gross earnings to the plan up to Internal Revenue Service limits; however, CSRS employees receive no matching agency contribution.

### **M. Retirement Plans and Other Employee Benefits**

The CFTC imputes costs and the related financing sources for its share of retirement benefits accruing to its employees that are in excess of the amount of contributions and withholdings from the CFTC and its employees, which are mandated by law. The Office of Personnel Management (OPM), which administers federal civilian retirement programs, provides the cost information to the CFTC. The CFTC recognizes the government's portion of the full cost of providing future pension and Other Retirement Benefits (ORB) for current employees as required by Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*.

Full costs include pension and ORB contributions paid out of the CFTC's appropriations as well as costs financed by OPM. The amount financed by OPM is recognized as an imputed financing source. Reporting amounts such as plan assets, accumulated plan benefits, or unfunded liabilities, if any, is the responsibility of OPM.

Liabilities for future pension payments and other future payments for retired employees who participate in the Federal Employees Health Benefits Program and the Federal Employees Group Life Insurance Program are reported by OPM rather than CFTC.

### **N. FECA and Unemployment Liabilities**

FECA provides income and medical cost protections to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims against the CFTC and subsequently seeks reimbursement from the CFTC for these paid claims. DOL's Unemployment Compensation For Federal Employees (UCFE) program provides unemployment compensation for Federal employees who lost their employment through no fault of their own. Accrued FECA and unemployment liabilities represent amounts due to DOL for claims paid on behalf of the agency.

In addition, the Commission's actuarial FECA liability represents the liability for future workers compensation benefits, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. The Commission records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the Commission for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

## O. Leases

The CFTC does not have any capital lease liabilities. The CFTC's operating leases consist of commercial property for the CFTC's headquarters and occupancy agreements with the General Services Administration for CFTC's regional offices. Lease expenses are recognized on a straight-line basis. Additional information is provided in Note 7, Leases.

## P. Deposit Funds

Deposit funds are expenditure accounts used to record monies that do not belong to the Federal government. They are held awaiting distribution based on a legal determination or investigation. The CFTC Deposit Fund is used to collect and later distribute collections of monetary awards to the appropriate victims as restitution. The cash collections recorded in this fund are offset by a Deposit Fund liability. Activities in this fund are not fiduciary in nature because they are not legally enforceable against the government.

## Q. Net Position

Net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations are appropriations that have not yet been used to acquire goods and services or provide benefits. Appropriations are considered expended, or used, when goods and services have been acquired by the CFTC or benefits have been provided using the appropriation authority, regardless of whether monies have been paid or payables for the goods, services, or benefits have been established.

Cumulative results of operations represent the excess of financing sources over expenses since inception. Cumulative results of operations are derived from the net effect of capitalized assets, expenses, and revenue and the balance can be negative when unfunded expenses exceed appropriations and other financing sources received as of the end of the reporting period.

## R. Revenues

The CFTC receives reimbursement and earns revenue for the following activities:

- Reimbursement for travel, subsistence, and related expenses from non-federal sources for attendance at meetings or similar functions that an employee has been authorized to attend in an official capacity on behalf of the Commission;
- Reimbursement for Intergovernmental Personnel Act Mobility Program assignments from state and local governments, institutions of higher education, and other eligible organizations for basic pay, supplemental pay, fringe benefits, and travel and relocation expenses; and

- Reimbursement from non-federal sources for registration fees to cover the cost of expenses related to the CFTC's annual International Regulators Conference.

## S. Net Cost of Operations

Net cost of operations is the difference between the CFTC's expenses and its earned revenue. The presentation of program results by strategic goal is based on the CFTC's current Strategic Plan established pursuant to the Government Performance and Results Act of 1993 (GPRA).

The mission of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. For FY 2023, this mission was accomplished through the following five strategic goals, each focusing on a vital area of regulatory responsibility:

- Strategic Goal 1: Strengthen Derivatives Markets & Foster Their Vibrancy
- Strategic Goal 2: Regulate Derivatives Markets in Interest of All Americans
- Strategic Goal 3: Encourage Innovation and Enhance Regulatory Experience of All
- Strategic Goal 4: Be Tough on Those Who Break the Rules
- Strategic Goal 5: Focus on Unique Mission and Improve Operational Effectiveness

## T. Custodial Activity

The CFTC collects penalties and fines levied against firms for violation of laws as described in the CEA as codified at 7 U.S.C. § 1, *et seq*, and the Commodities Futures Modernization Act of 2000, Appendix E of Public Law 106-554, 114 Stat. 2763. Unpaid fines, penalties and accrued interest are reported as custodial receivables, with an offsetting custodial liability, and therefore do not affect CFTC's net cost or net position. The receivables and the liability are reduced by amounts determined to be uncollectible. Revenues earned and the losses from uncollectible accounts are reported to Treasury.

Collections made by the CFTC during the year are deposited and reported into designated Treasury miscellaneous receipt accounts for:

- Registration and filing fees,
- Fines, penalties and forfeitures, and
- General proprietary receipts.

At fiscal year-end, custodial collections made by the CFTC that were not transferred to the Customer Protection Fund are returned to Treasury. The CFTC does not retain any portion of custodial collections including reimbursement of the cost of collection.

## U. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, expenses, and custodial activities. Actual results could differ from these estimates.

## V. Reconciliation of Net Outlays and Net Cost of Operations

In accordance with OMB Circular A-136, the Commission reconciles its budgetary outlays with its net cost of operations (see Note 11).

## W. Funds from Dedicated Collections

The Customer Protection Fund was established to operate a whistleblower program and support customer education initiatives. See Note 1A for a description of the purpose of the Customer Protection Fund and its authority to use applicable financing sources. Deposits into the Customer Protection Fund are credited from monetary sanctions collected by the Commission in a covered judicial or administrative action where the full judgment is in excess of \$1,000,000 and the collection is not otherwise distributed to victims of a violation of the Dodd-Frank Act or the underlying rules and regulations, unless the balance of the Customer Protection Fund at the time the monetary judgment is collected exceeds \$100,000,000.

No new legislation was enacted as of September 30, 2023, that significantly changed the purpose of the Customer Protection Fund or redirected a material portion of the accumulated balance. On July 6, 2021, Public Law (P.L.) 117-25 set aside \$10,000,000 from the Customer Protection Fund in a separate account to fund non-whistleblower costs when the unobligated balance of the Customer Protection Fund is insufficient. This account is available for eligible costs until it expires, at which time all unobligated amounts will be returned to the Customer Protection Fund. On December 29, 2022, P.L. 117-328 extended the availability of the separate account to October 1, 2024, and provided the Commission with discretionary authority to transfer an additional \$10,000,000 from the Customer Protection Fund to the separate account, if needed.

In October 2021, the Commission issued a final whistleblower award of nearly \$200,000,000, resulting in an obligation that exceeded the available balance of the Fund. The Commission has the authority to make obligations for whistleblower awards without taking into consideration the available balance of the Fund under the provisions of the Dodd-Frank Act. As a result, the Commission obligated non-whistleblower costs from this separate account in FY 2022 until the negative balance in the Customer Protection Fund was offset by eligible collections.

Additional information is provided in Note 2, Fund Balance with Treasury, and Note 12, Funds from Dedicated Collections.



## X. Reclassification

Available and unavailable amounts reported in the FY 2022 Note 2 have been reclassified to apply invested amounts against budgetary authority that is available for investment but unavailable for obligation before applying against budgetary authority that is available for obligations.

### Note 2 Fund Balance with Treasury

#### A. Reconciliation to Treasury

There are no differences between the fund balances reflected in the CFTC Balance Sheets and the balances in the Treasury accounts.

#### B. Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2023, and 2022, consisted of the following:

	2023	2022
Unobligated Fund Balance		
Available	\$ 97,359,270	\$ 87,139,500
Unavailable	12,831,921	8,905,085
Obligated Balance Not Yet Disbursed	100,549,115	78,736,271
Non-Budgetary Fund Balance with Treasury	205,143	73,353
<b>TOTAL FUND BALANCE WITH TREASURY</b>	<b>\$ 210,945,449</b>	<b>\$ 174,854,209</b>

Obligated and unobligated balances reported for the status of Fund Balance with Treasury differ from the amounts reported in the Statement of Budgetary Resources due to the fact that budgetary balances are supported by amounts other than Fund Balance with Treasury. These amounts include Customer Protection Fund investments, uncollected payments from Federal sources, and unfunded lease obligations.

Available unobligated balances as of September 30, 2023, and 2022, include amounts available for new obligations of \$85,906,853 and \$78,633,281, respectively, as well as amounts in expired funds that are available only for upward adjustments to prior year obligations of \$11,452,417 and \$8,506,219, respectively.

Unavailable unobligated balances as of September 30, 2023, and 2022, include amounts in excess of what has been apportioned for use of \$3,949,944 and \$23,108, respectively, as well as funds that have been set aside in a separate account to fund non-whistleblower costs only when the unobligated balance of the Customer Protection Fund is insufficient of \$8,881,977.

### Note 3 Investments

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The CFTC invests amounts deposited in the Customer Protection Fund in Treasury one-day certificates of indebtedness that are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The interest rates or prices of the one-day certificates of indebtedness are calculated based on market yields of Treasury financial instruments issued and trading in the Secondary Market (exchanges and over-the-counter markets where securities are bought and sold subsequent to original issuance). The Commission may invest in other short-term or long-term Treasury securities at management's discretion.

During FY 2021, the Commission redeemed \$117,000,000 in investments to make funds readily available for the needs of the Fund. Such redemptions resulted in the liquidation of investments owned at September 30, 2020. In the fourth quarter of FY 2022, the Commission began investing again once there were sufficient funds to satisfy all outstanding whistleblower obligations. The Commission's investments as of September 30, 2023, and 2022, were \$279,400,000 and \$286,000,000, respectively. Related nonexchange interest revenue for the years ended September 30, 2023, and 2022, was \$13,202,110 and \$1,350,097, respectively. The significant increase in interest revenue was due to a full twelve months of interest earned in FY 2023 versus two and a half months of interest earned in FY 2022 plus a two-fold increase in the average interest rate earned (4.6 percent in FY 2023 versus 2.3 percent in FY 2022).

#### *Intragovernmental Investments in Treasury Securities*

The Federal Government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1F, the Commission invests the majority of funds not needed for current operations of the Customer Protection Fund in Treasury securities. These Treasury securities are an asset of the Commission and a liability of the Treasury. Because the Commission and the Treasury are both components of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, the investments presented by the Commission do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Commission with authority to draw upon the Treasury to pay future claims or other expenditures. When the Commission requires redemption of these securities to make expenditures, the 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 manner in which the Government finances all expenditures.

#### Note 4 Accounts Receivable, Net

Accounts receivable consist of amounts owed the CFTC by other Federal agencies and the public. Accounts receivable are valued at their net collectible values. Non-custodial accounts receivable (entity assets) primarily arise from unused advances to other agencies and repayment of employee benefits. Historical experience has indicated that most of the non-custodial receivables are collectible and that there are no material uncollectible amounts.

Custodial receivables (non-entity assets) are those for which fines and penalties have been assessed and levied against businesses or individuals for violations of the CEA or Commission regulations. Violators may be subject to a variety of sanctions including fines, injunctive orders, bars or suspensions, rescissions of illegal contracts, and disgorgements.

An allowance for uncollectible accounts has been established and included in accounts receivable on the balance sheets. Although historical experience has indicated that a high percentage of custodial receivables prove uncollectible, the Commission determines the collectability of each individual judgment based on knowledge of the financial profile of the debtor obtained through the course of the investigation and litigation of each case, including efforts to identify and freeze assets at the beginning of cases, when any remaining assets are most likely to be recoverable. Accounts are re-estimated quarterly based on account reviews and the agency's determination that changes to the net realizable value are needed.

Accounts receivable, net consisted of the following as of September 30, 2023, and 2022:

	2023	2022
Custodial Receivables, Net:		
Civil Monetary Penalties, Fines, and Administrative Fees	\$ 2,907,318,278	\$ 1,674,333,533
Civil Monetary Penalty Interest	45,422,858	6,397,718
Registration and Filing Fees	2,514,359	1,367,648
Less: Allowance for Loss on Penalties, Fines, and Administrative Fees	(2,786,412,564)	(1,016,734,491)
Less: Allowance for Loss on Interest	(44,888,098)	(6,174,227)
Less: Allowance for Loss on Registration and Filing Fees	-	-
<b>TOTAL CUSTODIAL RECEIVABLES, NET</b>	<b>\$ 123,954,833</b>	<b>\$ 659,190,181</b>
Other Accounts Receivable	50,312	27,175
<b>TOTAL ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 124,005,145</b>	<b>\$ 659,217,356</b>

## Note 5 General Property, Plant, and Equipment, Net

Property, Plant, and Equipment as of September 30, 2023, and 2022, consisted of the following:

2023			Accumulated	
Major Class	Service Life and Method	Cost	Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	\$ 35,549,052	\$ (27,235,040)	\$ 8,314,012
IT Software	5 Years/Straight Line	30,058,287	(27,346,175)	2,712,112
Software in Development	Not Applicable	7,105,061	-	7,105,061
Leasehold Improvements	Remaining Life of Lease/Straight Line	35,475,140	(19,754,710)	15,720,430
Construction in Progress	Not Applicable	831,961	-	831,961
<b>TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET</b>		<b>\$ 109,019,501</b>	<b>\$ (74,335,925)</b>	<b>\$ 34,683,576</b>

2022			Accumulated	
Major Class	Service Life and Method	Cost	Amortization/ Depreciation	Net Book Value
Equipment	5 Years/Straight Line	\$ 38,367,021	\$ (28,818,135)	\$ 9,548,886
IT Software	5 Years/Straight Line	29,944,820	(26,988,898)	2,955,922
Software in Development	Not Applicable	5,946,778	-	5,946,778
Leasehold Improvements	Remaining Life of Lease/Straight Line	38,057,517	(17,033,641)	21,023,876
Construction in Progress	Not Applicable	2,191	-	2,191
<b>TOTAL GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET</b>		<b>\$ 112,318,327</b>	<b>\$ (72,840,674)</b>	<b>\$ 39,477,653</b>

## Note 6 Liabilities not Covered by Budgetary Resources

As of September 30, 2023, and 2022, the following liabilities were not covered by budgetary resources:

	2023	2022
<b>Liabilities Not Requiring Budgetary Resources:</b>		
Intragovernmental - Liability to the General Fund of the U.S. Government for Custodial Assets	\$ 123,954,833	\$ 659,190,181
Intragovernmental - Deferred Lease Liabilities	3,349,387	4,394,626
Deferred Lease Liabilities	7,899,487	11,308,599
Liability for Non-Fiduciary Deposit Funds	205,143	73,353
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>\$ 135,408,850</b>	<b>\$ 674,966,759</b>
<b>Other Liabilities Not Covered by Budgetary Resources:</b>		
Intragovernmental - Unfunded FECA and Unemployment Liability	\$ 80,539	\$ 83,864
Unfunded Annual Leave	16,423,448	17,747,317
Actuarial FECA Liabilities	452,783	499,005
Liability for Whistleblower Awards	31,464,775	45,000
<b>TOTAL LIABILITIES NOT COVERED BY BUDGETARY RESOURCES</b>	<b>\$ 183,830,395</b>	<b>\$ 693,341,945</b>

Liabilities not covered by budgetary resources of \$183,830,395 and \$693,341,945 represent 82.69 and 96.12 percent of the Commission's total liabilities of \$222,319,847 and \$721,365,430 as of September 30, 2023, and 2022, respectively.

## Note 7 Leases

The CFTC has operating leases for its locations in Washington D.C., Chicago, New York, and Kansas City. The CFTC has no real property. Future estimated minimum lease payments are not accrued as liabilities and are expensed on a straight-line basis.

As of September 30, 2023, future estimated minimum lease payments are as follows:

Fiscal Year	Non-Federal (Non-Cancellable)	Federal (Cancellable)	Total
2024	\$ 18,239,105	\$ 2,501,481	\$ 20,740,586
2025	18,603,371	2,501,481	21,104,852
2026	-	2,501,481	2,501,481
2027	-	2,501,481	2,501,481
2028	-	2,501,481	2,501,481
Thereafter	-	9,105,208	9,105,208
Total Future Scheduled Rent Payments	\$ 36,842,476	\$ 21,612,613	\$ 58,455,089
Future Lease-Related Operating Costs <i>(Estimated)</i>	2,210,548	8,485,493	10,696,041
<b>TOTAL FUTURE MINIMUM LEASE PAYMENTS</b>	<b>\$ 39,053,024</b>	<b>\$ 30,098,106</b>	<b>\$ 69,151,130</b>

The amounts in the table above include the future minimum lease payments for the Commission's existing lease arrangements described by location on the following page. In 2016, the Commission executed a memorandum of understanding with the General Services Administration (GSA) to address all of its future space needs. In its FY 2020 and 2022 appropriations, the Commission received an additional \$31,000,000 and \$62,000,000, respectively, for move, replication, and related costs associated with replacement leases for the Commission's facilities. As of September 30, 2023, the Commission has entered into occupancy agreements with GSA for space in Kansas City, Chicago, and New York. These agreements may be cancelled with 120 days' notice. The last remaining location to transition from a non-cancellable non-federal lease to a cancellable federal occupancy agreement (Washington, DC) is planned for FY 2025.

CFTC recognizes lease expenses on a straight-line basis because the Commission's lease payment amounts vary at negotiated times and reflect increases in rental costs, allowances or credits from landlords, and financed tenant improvements. Consistent with the utility of its office space, the Commission records deferred lease liabilities representing expense amounts in excess of payments to date. Federal deferred lease liabilities as of September 30, 2023, and 2022, were \$3,349,387 and \$4,394,626, respectively. Non-federal deferred lease liabilities as of September 30, 2023, and 2022, were \$7,899,487 and \$11,308,599, respectively.

The following table describes the Commission’s existing lease arrangements for buildings and multifunction devices, including major asset categories by location and associated lease terms.

BUILDINGS (FEDERAL, CANCELLABLE)	
<u>Location</u>	<u>Lease Terms</u>
Kansas City	Occupancy Agreement with GSA for office space from February 1, 2021, through January 31, 2036.
New York	Occupancy Agreement with GSA for office space from February 28, 2022, through February 27, 2032.
Chicago	Occupancy Agreement with GSA for office space from March 1, 2022, through February 28, 2032.
BUILDINGS (NON-FEDERAL, NON-CANCELLABLE)	
<u>Location</u>	<u>Lease Terms</u>
Washington, D.C.	Lease of office space from October 5, 1995, through September 30, 2025, subject to annual escalation amounts <sup>1</sup> and including allowances for leasehold improvements and rent offsets.
MULTIFUNCTION DEVICES (FEDERAL)	
<u>Location</u>	<u>Lease Terms</u>
Washington, D.C., New York, Chicago, and Kansas City	One-year rental of multifunction printers through the U.S. Government Publishing Office with four one-year options to renew.

<sup>1</sup> If market rent were \$100 per square foot with a 10 percent annual escalation and a \$10 operating expense base, then 98 percent of the applicable market rent would be \$98 per square foot with a 10 percent escalation and a \$10 operating base.

## Note 8 Liability for Whistleblower Awards

As mentioned in Note 1A, the Customer Protection Fund will be used to pay awards to whistleblowers if they voluntarily provide original information to the CFTC that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding \$1,000,000 are imposed. Whistleblowers are entitled to appeal any decisions by the Commission in regards to claims made against the Fund.

At the time the whistleblower voluntarily provides information to CFTC, they have no guarantee or promise that the Commission will exchange funds in return for that information. In accordance with federal accounting standards, the Commission records liabilities for these nonexchange transactions when they are due and payable. The Commission therefore records a liability for pending whistleblower payment after the whistleblower has been formally notified of an award and the related sanction, or some portion thereof, has been collected. The liability will be paid when the appeal period has ended, the whistleblower has provided necessary banking information, and, in

cases where the related sanction was collected in a prior year and subsequently swept by Treasury, or collected by a third party, the award will be paid as future collections become available.

As of September 30, 2023, and 2022, the Commission recorded liabilities for pending payments to whistleblowers of approximately \$31,464,775 and \$45,000, respectively. Of the \$31,464,775 pending payments as of September 30, 2023, a whistleblower award of approximately \$18,000,000 was issued as final on October 12, 2023.

During FY 2023, the Commission disbursed \$670,000 in whistleblower awards, which consisted of \$45,000 from pending payments and \$625,000 from accounts payable at the end of FY 2022. Accounts payable as of September 30, 2023, and 2022, includes \$15,628,065 and \$626,476, respectively, for awards that have been finalized as of the end of the reporting period.

As of September 30, 2023, the Commission has 16 awards in pending or paid status for which the full collections have not been received, including five final \$0 awards for which no collections have been received to date. While additional collections on these matters are considered remote, the Commission would be required to pay whistleblowers an additional \$28,281,924 if all collections were received on these matters. In addition to the pending and potential payments to whistleblowers, the Commission had 29 additional whistleblower claims currently under review as of September 30, 2023. These additional claims, depending on whether the whistleblowers are determined to be eligible for an award and the related sanctions have been collected, could result in total future payments ranging from \$0 to \$1,020,561,061.

## **Note 9 Contingent Liabilities**

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The CFTC records contingent liabilities for legal cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, including judgments that have been issued against the agency and which have been appealed. Additionally, the Commission discloses legal matters in which an unfavorable outcome is reasonably possible. There were no legal matters deemed probable or reasonably possible as of September 30, 2023.

## Note 10 Statements of Budgetary Resources

The Commission corrected a violation of the recording statute in FY 2016 by recording its obligations for all future building lease payments in accordance with OMB Circular A-11. The recording of these previously unrecorded obligations resulted in negative unobligated balances in its salaries and expenses general expenditure funds because budgetary resources have not been made available to the Commission to fund these multi-year leases (see the Combining Statements of Budgetary Resources in the Required Supplementary Information section immediately following the notes). The effect on the status of the Commission's budgetary resources and reconciliation to the U.S. Budget is detailed in the note disclosures below.

### A. Net Adjustments to Unobligated Balance Brought Forward, October 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2023, and 2022, consisted of the following:

	2023	2022
Unobligated Balance Brought Forward, October 1	\$ 300,563,429	\$ 51,601,852
Recoveries of Prior Year Obligations	6,804,777	2,954,290
Other Changes in Unobligated Balance	(2,595,302)	(1,750,242)
<b>UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET</b>	<b>\$ 304,772,904</b>	<b>\$ 52,805,900</b>

### B. Undelivered Orders

The amount of budgetary resources obligated for undelivered orders as of September 30, 2023, and 2022, consisted of the following:

	2023	2022
<b>Undelivered Orders - Federal</b>		
Paid	\$ 10,642,790	\$ 3,383,000
Unpaid	10,063,602	5,896,535
<b>Total Undelivered Orders - Federal</b>	<b>\$ 20,706,392</b>	<b>\$ 9,279,535</b>
<b>Undelivered Orders - Non-Federal</b>		
Paid	\$ 2,666,882	\$ 3,257,433
Unpaid	91,049,085	102,822,715
<b>Total Undelivered Orders - Non-Federal</b>	<b>\$ 93,715,967</b>	<b>\$ 106,080,148</b>
<b>TOTAL UNDELIVERED ORDERS</b>	<b>\$ 114,422,359</b>	<b>\$ 115,359,683</b>

The amount of undelivered orders represents the value of unpaid and paid obligations recorded during the fiscal year, and upward and downward adjustments of obligations that were originally



recorded in a prior fiscal year. Non-federal unpaid undelivered orders include the Commission's unfunded future lease payments as of September 30, 2023, and 2022, as follows:

	2023	2022
Unfunded Lease Obligations Brought Forward, October 1	\$ 58,006,466	\$ 80,060,414
Change in Unfunded Lease Obligations	(18,953,442)	(22,053,948)
<b>TOTAL REMAINING UNFUNDED LEASE OBLIGATIONS</b>	<b>\$ 39,053,024</b>	<b>\$ 58,006,466</b>

### C. Explanations of Differences between the Statement of Budgetary Resources and Budget of the United States Government

The CFTC had material differences between the amounts reported in the Statement of Budgetary Resources dated September 30, 2022, and the actual amounts reported in the Budget of the U.S. Government for FY 2022. These differences are related to unfunded lease obligations that are being funded each fiscal year through annual appropriations (see table below). These unfunded obligations will cease to be a reconciling difference when the last unfunded lease ends in FY 2025.

	Budgetary Resources
<b>CFTC FY 2022 Statement of Budgetary Resources</b>	<b>\$ 811,912,248</b>
Less Amounts in Customer Protection Fund	(488,200,480)
Less Amounts in Expired Accounts	(9,499,949)
Less New Budget Authority Used to Liquidate Deficiencies	(22,053,948)
Plus Unfunded Lease Obligations Brought Forward, October 1	80,060,414
Plus Rounding to Nearest Million (+/-)	(218,285)
<b>BUDGET OF THE U.S. GOVERNMENT</b>	<b>\$ 372,000,000</b>

The Budget of the U.S. Government with actual numbers for FY 2023 has not yet been published. The expected publish date is February 2024. A copy of the Budget may be obtained from OMB's website.

### D. Distributed Offsetting Receipts

Distributed offsetting receipts are amounts that an agency collects from the public or from other Government agencies that are used to offset or reduce an agency's budget outlays. The Commission's distributed offsetting receipts generally consist of miscellaneous collections for such items as Freedom of Information Act requests, vendor refunds, and lost or damaged property that cannot be applied to other funds.

## Note 11 Reconciliation of Total Net Cost of Operations to Net Outlays

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. This reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting.

The schedule presented in this note reconciles the Total Net Cost of Operations reported in the Statements of Net Cost (accrual basis) with Net Outlays reported in the Statements of Budgetary Resources (budgetary basis). Differences between net costs and net outlays are primarily the result of timing differences and paying for assets that are used over more than one reporting period.

	2023	2022
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 391,714,341</b>	<b>\$ 328,437,302</b>
<b>Components of Net Cost That Are Not Part of Net Outlays:</b>		
Depreciation and Amortization of Property, Plant, and Equipment	\$ (5,915,953)	\$ (6,365,293)
Amortization of Deferred Lease Liabilities	3,736,118	4,068,055
Gain/(Loss) on Disposal	(109,261)	(771,131)
<b>Increase/(Decrease) in Assets:</b>		
Accounts Receivable	23,137	192
Decrease in Advances and Prepayments	-	(7,055,139)
<b>(Increase)/Decrease in Liabilities:</b>		
Accounts Payable	(9,624,814)	(5,394,175)
Salaries and Benefits	(841,153)	(1,454,061)
Liability for Whistleblower Awards	(31,419,775)	203,925,000
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	1,373,416	825,043
<b>Other Financing Sources:</b>		
Federal Employee Retirement Benefit Costs Paid by OPM and Imputed to CFTC	(11,349,217)	(6,855,582)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>\$ (54,127,502)</b>	<b>\$ 180,922,909</b>
<b>Components of Net Outlays That Are Not Part of Net Cost:</b>		
Acquisition of Capital Assets	\$ 1,949,371	\$ 17,149,990
Increase in Advances and Prepayments	6,669,239	-
Nonexchange Interest Revenue (Excluding Interest Receivable)	(13,160,200)	(1,350,097)
Financing Sources Transferred in from Custodial Statement Collections	-	(398,498,439)
<b>Total Components of Net Outlays That Are Not Part of Net Cost</b>	<b>\$ (4,541,590)</b>	<b>\$ (382,698,546)</b>
<b>Outlays, Net</b>	<b>\$ 333,045,249</b>	<b>\$ 126,661,665</b>
Distributed Offsetting Receipts	(5,994)	(15,850)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ 333,039,255</b>	<b>\$ 126,645,815</b>

## Note 12 Funds from Dedicated Collections

Funds from dedicated collections arise from disgorgement and penalty collections and are transferred to the Customer Protection Fund, established by the Dodd-Frank Act. The collections are transferred from the custodial receipt account if they are found to be eligible before the end of each fiscal year. In cases where the collection has been returned to Treasury in error, the Commission can recover the funds. The collections will fund the Commission's whistleblower awards program and customer education initiatives.

The Dodd-Frank Act provides that whistleblower awards shall be paid under regulations prescribed by the Commission. The Commission most recently issued revised regulations effective July 31, 2017.

No eligible collections were transferred into the Fund during FY 2023 because the available balance of the Fund did not fall below \$100,000,000. Eligible collections of \$398,498,439 were transferred into the Fund during FY 2022. The following table presents the Fund's balance sheets, statements of net costs, and statements of changes in net position as of and for the years ended September 30, 2023, and 2022:

	2023	2022
<b>BALANCE SHEETS</b>		
Fund Balance with Treasury	\$ 32,185,446	\$ 18,162,873
Investments, Net	279,441,910	286,000,000
Advances and Prepayments	9,379	7,396
<b>TOTAL ASSETS</b>	<b>\$ 311,636,735</b>	<b>\$ 304,170,269</b>
Accounts Payable	\$ 16,474,354	\$ 1,647,537
Accrued Funded Payroll	188,020	211,452
Unfunded Annual Leave	217,592	345,166
Liability for Whistleblower Awards	31,464,775	45,000
<b>Total Liabilities</b>	<b>\$ 48,344,741</b>	<b>\$ 2,249,155</b>
Cumulative Results of Operations - Funds from Dedicated Collections	263,291,994	301,921,114
<b>Total Net Position</b>	<b>\$ 263,291,994</b>	<b>\$ 301,921,114</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 311,636,735</b>	<b>\$ 304,170,269</b>
<b>STATEMENTS OF NET COST</b>		
Gross Costs	\$ 51,831,230	\$ 5,854,389
<b>TOTAL NET COST OF OPERATIONS</b>	<b>\$ 51,831,230</b>	<b>\$ 5,854,389</b>
<b>STATEMENTS OF CHANGES IN NET POSITION</b>		
Beginning Cumulative Results of Operations	\$ 301,921,114	\$ (92,073,033)
Nonexchange Interest Revenue	13,202,110	1,350,097
Transfers In/(Out) Without Reimbursement	-	398,498,439
Net Cost of Operations	(51,831,230)	(5,854,389)
Net Change in Cumulative Results of Operations	\$ (38,629,120)	\$ 393,994,147
<b>TOTAL NET POSITION, ENDING</b>	<b>\$ 263,291,994</b>	<b>\$ 301,921,114</b>

## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

### COMBINING STATEMENTS OF BUDGETARY RESOURCES BY MAJOR ACCOUNT For the Years Ended September 30, 2023 and 2022

2023	Customer Protection Fund	Salaries and Expense	Information Technology	Combined
<b>BUDGETARY RESOURCES</b>				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 278,676,220	\$ 25,030,899	\$ 1,065,785	\$ 304,772,904
Appropriations	-	365,000,000	-	365,000,000
Spending Authority from Offsetting Collections	12,410,069	166,017	-	12,576,086
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 291,086,289</b>	<b>\$ 390,196,916</b>	<b>\$ 1,065,785</b>	<b>\$ 682,348,990</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
New Obligations and Upward Adjustments	\$ 20,845,014	\$ 335,159,033	\$ -	\$ 356,004,047
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	266,318,206	83,677,399	-	349,995,605
Unapportioned, Unexpired Accounts	3,923,069	(39,026,148)	-	(35,103,079)
Unexpired Unobligated Balance, End of Year	270,241,275	44,651,251	-	314,892,526
Expired Unobligated Balance, End of Year	-	10,386,632	1,065,785	11,452,417
Unobligated Balance, End of Year (Total)	270,241,275	55,037,883	1,065,785	326,344,943
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 291,086,289</b>	<b>\$ 390,196,916</b>	<b>\$ 1,065,785</b>	<b>\$ 682,348,990</b>
<b>OUTLAYS, NET</b>				
Outlays, Net	\$ (7,422,573)	\$ 340,479,810	\$ (11,988)	\$ 333,045,249
Distributed Offsetting Receipts	-	(5,994)	-	(5,994)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ (7,422,573)</b>	<b>\$ 340,473,816</b>	<b>\$ (11,988)</b>	<b>\$ 333,039,255</b>
<b>2022</b>				
	<b>Customer Protection Fund</b>	<b>Salaries and Expense</b>	<b>Information Technology</b>	<b>Combined</b>
<b>BUDGETARY RESOURCES</b>				
Unobligated Balance from Prior Year Budget Authority, Net (Note 10A)	\$ 111,143,311	\$ (59,919,104)	\$ 1,581,693	\$ 52,805,900
Appropriations	-	382,000,000	-	382,000,000
Spending Authority from Offsetting Collections	377,057,169	49,179	-	377,106,348
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 488,200,480</b>	<b>\$ 322,130,075</b>	<b>\$ 1,581,693</b>	<b>\$ 811,912,248</b>
<b>STATUS OF BUDGETARY RESOURCES</b>				
New Obligations and Upward Adjustments	\$ 209,525,546	\$ 301,791,260	\$ 32,013	\$ 511,348,819
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	278,674,934	71,365,633	-	350,040,567
Unapportioned, Unexpired Accounts	-	(57,983,358)	-	(57,983,358)
Unexpired Unobligated Balance, End of Year	278,674,934	13,382,275	-	292,057,209
Expired Unobligated Balance, End of Year	-	6,956,540	1,549,680	8,506,220
Unobligated Balance, End of Year (Total)	278,674,934	20,338,815	1,549,680	300,563,429
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 488,200,480</b>	<b>\$ 322,130,075</b>	<b>\$ 1,581,693</b>	<b>\$ 811,912,248</b>
<b>OUTLAYS, NET</b>				
Outlays, Net	\$ (190,818,027)	\$ 317,476,350	\$ 3,342	\$ 126,661,665
Distributed Offsetting Receipts	-	(15,850)	-	(15,850)
<b>AGENCY OUTLAYS, NET</b>	<b>\$ (190,818,027)</b>	<b>\$ 317,460,500</b>	<b>\$ 3,342</b>	<b>\$ 126,645,815</b>