

2018-FMIC-B-004
February 27, 2018

Board of Governors of the Federal Reserve System

Federal Financial Institutions Examination Council Financial Statements as of and for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Reports



Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau



Office of Inspector General

Board of Governors of the Federal Reserve System
Consumer Financial Protection Bureau

February 27, 2018

Federal Financial Institutions Examination Council
3501 Fairfax Drive, B-7081a
Arlington, VA 22226-3550

Dear Members of the Federal Financial Institutions Examination Council:

This letter transmits the Independent Auditors' Report prepared by KPMG LLP on the Federal Financial Institutions Examination Council's (FFIEC) financial statements. We contracted with KPMG to audit the financial statements of the FFIEC as of and for the years ended December 31, 2017 and 2016.

The contract requires the audit to be performed in accordance with the auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We reviewed and monitored the work of KPMG to ensure compliance with the contract. KPMG is responsible for the accompanying Independent Auditors' Report, the Report on Internal Control Over Financial Reporting, and the Report on Compliance and Other Matters, all dated February 26, 2018.

We do not express an opinion on the FFIEC's financial statements. In addition, we do not draw conclusions on the Report on Internal Control Over Financial Reporting or the Report on Compliance and Other Matters.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Bialek', written in a cursive style.

Mark Bialek
Inspector General

cc: Judith Dupre, Executive Secretary, FFIEC
Charles Yi, Chairman, FFIEC Legal Advisory Group, and General Counsel, Legal Division, Federal
Deposit Insurance Corporation
Ricardo Aguilera, Chief Financial Officer and Director, Division of Financial Management, Board of
Governors of the Federal Reserve System

Federal Financial Institutions Examination Council

Financial Statements as of and for the Years
Ended December 31, 2017 and 2016, and
Independent Auditors' Reports

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

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

Independent Auditors' Report

The Federal Financial Institutions Examination Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Financial Institutions Examination Council (the Council), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Federal Financial Institutions Examination Council as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2018 on our consideration of the Council's internal control over financial reporting and our report dated February 26, 2018 on our tests of its compliance with certain provisions of laws, regulations, and contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

KPMG LLP

February 26, 2018

Federal Financial Institutions Examination Council Balance Sheets

	As of December 31,	
	2017	2016
Assets		
Current assets:		
Cash	\$ 1,803,987	\$ 734,379
Accounts receivable from member agencies	460,724	743,949
Accounts receivable from non-member agencies – net	<u>472,076</u>	<u>21,029</u>
Total current assets	<u>2,736,787</u>	<u>1,499,357</u>
Non-current assets:		
Equipment leased – net	54,602	101,403
Central Data Repository software – net	294,802	502,897
Home Mortgage Disclosure Act software – net	<u>-</u>	<u>115,195</u>
Total non-current assets	<u>349,404</u>	<u>719,495</u>
Total	<u><u>\$ 3,086,191</u></u>	<u><u>\$ 2,218,852</u></u>
Liabilities and cumulative results of operations		
Current liabilities:		
Accounts payable and accrued liabilities payable to member agencies	\$ 1,383,553	\$ 406,984
Accounts payable and accrued liabilities payable to non-member agencies	438,342	306,038
Accrued annual leave	56,510	63,888
Capital lease payable	51,178	52,416
Deferred revenue	<u>208,095</u>	<u>323,290</u>
Total current liabilities	<u>2,137,678</u>	<u>1,152,616</u>
Long-term liabilities:		
Capital lease payable	8,476	58,737
Deferred revenue	86,707	294,802
Deferred rent	<u>(4,258)</u>	<u>8,654</u>
Total long-term liabilities	<u>90,925</u>	<u>362,193</u>
Total liabilities	<u>2,228,603</u>	<u>1,514,809</u>
Cumulative results of operations	<u>857,588</u>	<u>704,043</u>
Total liabilities and cumulative results of operations	<u><u>\$ 3,086,191</u></u>	<u><u>\$ 2,218,852</u></u>

See notes to financial statements.

Federal Financial Institutions Examination Council Statements of Operations

For the years ended December 31,

	2017	2016
Revenues:		
Assessments on member agencies	\$ 1,608,451	\$ 1,062,996
Central Data Repository	3,800,309	3,578,869
Tuition	4,349,100	4,199,827
Home Mortgage Disclosure Act	1,674,052	3,183,808
Community Reinvestment Act	824,520	915,573
Uniform Bank Performance Report	<u>637,503</u>	<u>599,745</u>
 Total revenues	 <u>12,893,935</u>	 <u>13,540,818</u>
Expenses:		
Data processing	2,853,337	3,984,186
Professional fees	5,259,235	4,989,083
Salaries and related benefits	2,866,805	2,736,341
Depreciation	370,091	370,091
Rental of office space	326,777	320,416
Administration fees	607,200	552,000
Travel	272,851	269,462
Other seminar expenses	71,235	56,740
Rental and maintenance of office equipment	49,002	40,850
Office and other supplies	37,076	37,628
Printing	22,497	22,832
Miscellaneous	<u>4,284</u>	<u>4,089</u>
 Total expenses	 <u>12,740,390</u>	 <u>13,383,718</u>
 Results of operations	 153,545	 157,100
 Cumulative results of operations – beginning of year	 <u>704,043</u>	 <u>546,943</u>
 Cumulative results of operations – end of year	 <u>\$ 857,588</u>	 <u>\$ 704,043</u>

See [notes to financial statements](#).

Federal Financial Institutions Examination Council Statements of Cash Flows

For the years ended December 31,

	2017	2016
Cash flows from (used in) operating activities:		
Results of operations	\$ 153,545	\$ 157,100
Adjustments to reconcile results of operations to net cash provided by operating activities:		
Depreciation	370,091	370,091
(Increase) decrease in assets:		
Accounts receivable from member agencies	283,225	555,912
Accounts receivable from non-member agencies	(451,047)	40,013
Prepaid expense and other assets	-	735,000
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities payable to member agencies	976,569	(96,615)
Other accounts payable and accrued liabilities payable to non-member agencies	130,447	(462,305)
Accrued annual leave	(7,378)	105
Deferred revenue (current and non-current)	(323,290)	(1,058,289)
Deferred rent	(12,912)	8,753
	<u>1,119,250</u>	<u>249,765</u>
Net cash from (used in) operating activities	1,119,250	249,765
Cash flows from (used in) financing activities:		
Capital lease payments	<u>(49,642)</u>	<u>(48,210)</u>
Net increase (decrease) in cash	1,069,608	201,555
Cash balance – beginning of year	<u>734,379</u>	<u>532,824</u>
Cash balance – end of year	<u>\$ 1,803,987</u>	<u>\$ 734,379</u>

See [notes to financial statements](#).

Federal Financial Institutions Examination Council Notes to Financial Statements as of and for the Years Ended December 31, 2017 and 2016

(1) Organization and Purpose

The Federal Financial Institutions Examination Council (the Council) was established under title X of the Financial Institutions Regulatory and Interest Rate Control Act of 1978. The purpose of the Council is to prescribe uniform principles and standards for the federal examination of financial institutions and to make recommendations to promote uniformity in the supervision of these financial institutions. The Council has six voting members. The five federal agencies represented on the Council during 2017, referred to collectively as member agencies, are as follows:

- Board of Governors of the Federal Reserve System (FRB)
- Consumer Financial Protection Bureau (CFPB or the Bureau)
- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Administration (NCUA)
- Office of the Comptroller of the Currency (OCC)

In accordance with the Financial Services Regulatory Relief Act of 2006, a rotating representative state regulator was added as a full voting member of the Council in October 2006.

The Council was given additional statutory responsibilities by section 340 of the Housing and Community Development Act of 1980, Public Law 96-399. Among these responsibilities is the implementation of a system, in consultation with the Secretary of the Department of Housing and Urban Development (HUD), to facilitate public access to data that depository institutions must disclose under the Home Mortgage Disclosure Act of 1975 (HMDA) and the aggregation of annual HMDA data, by census tract, for each metropolitan statistical area.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law. This legislation gave the CFPB general rule-writing responsibility for federal consumer financial laws and the HMDA supervisory and enforcement authority. The CFPB, as part of these responsibilities, is developing a new HMDA processing system that will replace the current HMDA processing system maintained by the FRB.

The Council's financial statements do not include financial data for the Council's Appraisal Subcommittee (the Subcommittee). The Subcommittee was created pursuant to Public Law 101-73, title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. Although it is a subcommittee of the Council, the Appraisal Subcommittee maintains separate financial records and administrative processes. The Council is not responsible for any debts incurred by the Appraisal Subcommittee, nor are Appraisal Subcommittee funds available for use by the Council.

(2) Significant Accounting Policies

Basis of Accounting — The Council prepares its financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

Revenues — Assessments are made on member organizations to fund the Council’s operations based on expected cash needs and are recognized as revenue in the period in which they are assessed. Amounts over- or under-assessed due to differences between assessments and actual expenses are presented in the Council’s Statements of Operations in the “Cumulative results of operations” line item during the year and then may be used to offset or increase the next year’s assessment. Deficits in “Cumulative results of operations” can be recouped in the following year’s assessments.

The Council provides training seminars in the Washington, D.C. area and at locations throughout the country for member organizations, other federal agencies, and state organizations. The Council recognizes revenue from member agencies for the production and distribution of the Uniform Bank Performance Reports (UBPR) through the FDIC. Tuition and UBPR revenue are adjusted at year-end to match expenses incurred as a result of providing education classes and UBPR services. For differences between revenues and expenses, member agencies are assessed an additional amount or credited a refund based on each member’s proportional cost for the examiner education and UBPR budget. The Council recognizes revenue from member agencies for expenses incurred related to the Central Data Repository (CDR) processing system, the Community Reinvestment Act (CRA) processing system, and the current HMDA processing system maintained by the FRB.

Transfers from Members to the Bureau — The Council is performing the collection and billing activity for the new HMDA processing system developed by the CFPB. The activity includes the member agencies and HUD. As a collecting entity, the Council does not recognize the transfers from member agencies as revenue nor does the Council use the collections to fund Council expenses; the funds are transferred to the Bureau.

Property, Equipment, and Software — Equipment is recorded at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which range from three to five years. Upon the sale or other disposition of a depreciable asset, the cost and related accumulated depreciation are removed and any gain or loss is recognized. The HMDA processing system maintained by the FRB and the CDR system, which consists of internally developed software projects, are recorded at cost less accumulated depreciation; unique useful lives are applied to these assets as appropriate.

Deferred Revenue — Deferred revenue includes cash collected and accounts receivable from member organizations to fund the HMDA processing system maintained by the FRB and the CDR. Revenue is recognized over the useful life of the software.

Deferred Rent — The lease for office and classroom space contains scheduled rent increases over the term of the lease. Scheduled rent increases must be considered in determining the annual rent expense to be recognized. The deferred rent represents the difference between the actual lease payments and the rent expense recognized.

Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include useful lives of the CDR and the HMDA processing systems maintained by the FRB.

Allowance for Doubtful Accounts — Accounts receivable for nonmembers are shown net of the allowance for doubtful accounts. Accounts receivable considered uncollectible are charged against the allowance account in the year they are deemed uncollectible. The allowance for doubtful accounts is adjusted monthly, based upon a review of outstanding receivables.

Prepaid Expenses — The Council recognizes expenses as prepaid for costs paid in advance that will be expensed with the passage of time or upon the occurrence of a triggering event in future periods.

Commitments and contingencies — Liabilities for loss contingencies arising from claims, assessments, litigation, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Tax Exempt Status — The Council is not subject to state or local income taxes, and federal law does not impose taxes on the Council's income.

Recently Issued Accounting Standards — In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). This update revises the model to assess how a lease should be classified and provides guidance for lessees, requiring lessees to present right-of-use assets and lease liabilities on the balance sheet. The update is effective for the Council for the year ending December 31, 2020, although earlier adoption is permitted. The Council is continuing to evaluate the effect of this new guidance on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This update was issued to create common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The guidance is applicable to all contracts for the transfer of goods or services regardless of industry or type of transaction. This update requires recognition of revenue in a manner that reflects the consideration that the entity expects to receive in return for the transfer of goods or services to customers. Subsequently, the FASB issued a number of related ASUs, including ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of the Effective Date*; ASU 2016-08, *Revenue from Contracts with Customers* (Topic 606): *Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*; ASU 2016-10, *Revenue from Contracts with Customers* (Topic 606): *Identifying Performance Obligations and Licensing*; ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606): *Narrow-Scope Improvements and Practical Expedients*; and ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. This collection of revenue recognition accounting guidance is effective for the Council for the year ending December 31, 2019, and is not expected to have a material effect on the Council's financial statements since the Council reports annually and satisfies all material performance obligations prior to year-end.

(3) Selected Transactions with Member Agencies

	2017	2016
Accounts receivable:		
Board of Governors of the Federal Reserve System	\$ 184,197	\$ 98,233
Consumer Financial Protection Bureau	2,361	32,494
Federal Deposit Insurance Corporation	151,577	135,031
National Credit Union Administration	2,841	63,112
Office of the Comptroller of the Currency	<u>119,748</u>	<u>415,079</u>
	<u>\$ 460,724</u>	<u>\$ 743,949</u>
Accounts payable and accrued liabilities:		
Board of Governors of the Federal Reserve System	\$ 499,302	\$ 185,341
Consumer Financial Protection Bureau	101,883	5,579
Federal Deposit Insurance Corporation	440,805	138,562
National Credit Union Administration	125,160	20,767
Office of the Comptroller of the Currency	<u>216,403</u>	<u>56,735</u>
	<u>\$ 1,383,553</u>	<u>\$ 406,984</u>
Operations:		
Council operating expenses reimbursed by members	\$ 1,138,492	\$ 1,062,996
FRB-provided administrative support	\$ 607,200	\$ 552,000
FRB-provided data processing	\$ 2,383,378	\$ 3,249,186
Tuition revenue:		
Member tuition	\$ 4,239,450	\$ 4,034,104

Member agencies of the Council detail personnel to support Council operations. The salaries and related costs presented on the Statement of Operations represent the amounts which the Council has reimbursed member agencies. These detailed personnel are paid through the payroll systems of their respective member agency. The Council does not have any post-retirement or post-employment benefit liabilities since Council personnel are included in the plans of the member agencies.

Member agencies are not reimbursed for the costs of personnel who serve as Council members and on the various task forces and committees of the Council. The value of these contributed services is not included in the accompanying financial statements.

In 2015, the Council entered into an agreement with the U.S Census Bureau to replicate the Census 2000-based surnames table using the 2010 Census data. The project cost of \$735,000 was paid for in 2015 and the member agencies were assessed the same amount. In 2017, the U.S. Census Bureau agreed to return \$470,000 of unspent funding. The FFIEC has accrued a payable to participating member agencies, who will be reimbursed based on their respective share.

(4) Central Data Repository

In 2003, the Council entered into an agreement with Unisys to enhance the methods and systems used to collect, validate, process, and distribute Call Report information used by member organizations, and to store this information in the CDR. The CDR was placed into service in October 2005. At that time, the Council began depreciating the CDR on a straight-line basis over its estimated useful life of 63 months. In 2009, the Council reevaluated the useful life of the CDR and decided to extend its estimated useful life by an additional 36 months based on enhanced functionality of the software. In 2013, the Council again reevaluated the useful life of the CDR and decided to extend its estimated useful life by an additional 12 months to December 31, 2014. In 2014, the Council added additional enhancements of \$688,281 and extended the useful life of the asset, including the enhancements, for an additional 56 months. The Council similarly extended the period of the associated deferred revenue. The Council also pays for hosting and maintenance expenses for the CDR and recognizes the associated revenue from members.

	2017	2016
CDR software		
Beginning balance	\$ 21,839,856	\$ 21,839,856
Less accumulated depreciation	<u>(21,545,054)</u>	<u>(21,336,959)</u>
CDR software – net	<u>\$ 294,802</u>	<u>\$ 502,897</u>
Depreciation:		
Depreciation for the CDR project	<u>\$ 208,095</u>	<u>\$ 208,095</u>

CDR Financial Activity — The Council is funding the project by billing the three participating Council member agencies (FRB, FDIC, and OCC). Activity for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Deferred revenue:		
Beginning balance	\$ 502,897	\$ 710,992
Less revenue recognized	<u>(208,095)</u>	<u>(208,095)</u>
Ending balance	<u>\$ 294,802</u>	<u>\$ 502,897</u>
Current portion deferred revenue	\$ 208,095	\$ 208,095
Long-term deferred revenue	<u>86,707</u>	<u>294,802</u>
Total deferred revenue	<u>\$ 294,802</u>	<u>\$ 502,897</u>
Accounts payable and accrued liabilities related to the CDR:		
Payable to Unisys for the CDR	<u>\$ 383,608</u>	<u>\$ 298,902</u>

(5) Home Mortgage Disclosure Act

FRB currently provides maintenance and support for the HMDA processing system that will end in 2017 for main use and only available up until 2019 for resubmission requests only. In 2007, the Council began a rewrite of the entire HMDA processing system, which went into service in 2011. At that time, the Council began depreciating the system on the straight-line basis over its estimated useful life of 60 months. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), responsibility for HMDA is transitioning to the CFPB which is developing a new HMDA system to replace the current systems. The FRB will continue processing the HMDA data through 2017 and, as a result, in 2015 the Council extended the estimated useful life of the 2011 rewrite through December 31, 2017. The extension of useful life decreased the annual depreciation expense by \$184,000. The Council also extended the period over which that the associated deferred revenue is recognized, which decreases the revenue recognized by the same amount of depreciation; therefore, the extension does not affect net income. Additionally, since the new asset will be controlled and owned by the CFPB, the new asset will be reflected on the CFPB's financial statements and not the Council's.

	2017	2016
HMDA software		
Beginning balance	<u>\$ 2,783,868</u>	<u>\$2,783,868</u>
Less accumulated depreciation	<u>(2,783,868)</u>	<u>(2,668,673)</u>
HMDA software – net	<u>\$ -</u>	<u>\$ 115,195</u>
Depreciation:		
Depreciation for the HMDA rewrite project	<u>\$ 115,195</u>	<u>\$ 115,194</u>

The Council records depreciation expenses and recognizes the associated revenue each year. The Council also pays for maintenance expenses for the current HMDA processing system and recognizes the associated revenue from the members and non-members. The financial activity associated with the processing system for the years ended December 31, 2017 and 2016, is as follows:

	2017	2016
Deferred revenue		
Beginning balance	\$ 115,195	\$ 230,389
Less revenue recognized	<u>(115,195)</u>	<u>(115,194)</u>
Ending balance	<u>-</u>	<u>115,195</u>
Current portion deferred revenue	<u>-</u>	<u>115,195</u>
Total deferred revenue	<u>\$</u>	<u>\$ 115,195</u>
Total HMDA revenue		
The Council recognized the following revenue from:		
Member organizations for the production and distribution of reports under HMDA (includes the deferred revenue recognized)	\$ 1,404,810	\$ 2,781,809
HUD's participation in the HMDA project	<u>269,242</u>	<u>401,999</u>
Total HMDA revenue	<u>\$ 1,674,052</u>	<u>\$ 3,183,808</u>

(6) Leases

Capital Leases — The Council entered into new capital leases in March 2014 for printing equipment. Equipment consists of \$234,000 for the capital leases as of December 31, 2017 and 2016. Accumulated depreciation was \$179,000 and \$133,000 for 2017 and 2016, respectively. The depreciation expense for the printing equipment was \$46,000 for 2017 and 2016, respectively. Contingent rentals for excess usage of the printing equipment amounted to \$27,000 and \$19,000 in 2017 and 2016, respectively.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2017, are as follows:

	Years Ended December 31,	Amount
2018		72,821
2019		<u>12,137</u>
Total minimum lease payments		84,958
Less amount representing maintenance		<u>(25,474)</u>
Net minimum lease payments		59,484
Less amount representing interest		<u>(747)</u>
Present value of net minimum lease payments		58,737
Less current maturities of capital lease payments		<u>(50,261)</u>
Long-term capital lease obligations		<u>\$ 8,476</u>

Operating Leases — The Council entered into a new operating lease with the FDIC in December 2015 for a five-year period with the option to extend for an additional five years to secure office and classroom space. Minimum annual payments under the operating lease having an initial or remaining noncancelable lease term in excess of one year at December 31, 2017, are as follows:

	Years Ended December 31,	Amount
2018		355,811
2019		324,029
2020		<u>328,342</u>
Total minimum lease payments		<u>\$ 1,008,182</u>

(7) Subsequent Events

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2017. Subsequent events were evaluated through February 26, 2018, which is the date the financial statements were available to be issued.

* * * * *



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Federal Financial Institutions Examination Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Federal Financial Institutions Examination Council (the Council), which comprise the balance sheet as of December 31, 2017, and the related statements of operations and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated February 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.



Purpose of this Report

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

KPMG LLP

February 26, 2018