



2022 ANNUAL REPORT

Giving America Confidence to Invest in Its Communities

MESSAGE FROM LEADERSHIP



THE MSRB IS SQUARELY FOCUSED ON UPHOLDING THE PUBLIC'S TRUST IN THE \$4 TRILLION MUNICIPAL SECURITIES MARKET. OUR VISION IS TO GIVE AMERICA THE CONFIDENCE TO INVEST IN ITS COMMUNITIES.

Since 1975, the MSRB has been entrusted to serve as an independent, private, self-regulatory organization (SRO) for the municipal securities market. Our mission to protect investors and issuers in this market has never been more important as financial markets continue to evolve at an ever-increasing pace. This country's long tradition of state and local government financing through the issuance of municipal securities makes it possible to build the nation's public schools, hospitals and other critical infrastructure that make our lives better today and provide for a better tomorrow. The municipal securities market has earned the trust of investors from around the world and benefited tens of thousands of communities across the nation. This trust did not come about overnight, however. It's built on a regulatory framework established by the MSRB that enabled this market to grow into a \$4 trillion engine of capital formation.

As the principal regulator of the municipal securities market, the MSRB fulfills its Congressional mandate to serve the public interest and uphold the public trust by establishing rules that ensure a transparent, efficient and fair market. We constantly engage in dialogue with stakeholders, fellow regulators and the general public to ensure all viewpoints are represented as we seek to protect and strengthen our market.

Strong markets function best when regulations keep pace with evolving market practices and technologies. That is the focus of the MSRB's four-year Strategic Plan developed with extensive public input. We are pleased to communicate our progress across all four strategic pillars:

- 1. Modernizing the MSRB rulebook to create a more fair and efficient market:** In addition to continuing to provide regulatory relief due to the impacts of COVID-19, we worked closely with our fellow financial regulators to undertake a comprehensive examination of fixed income market structure. The MSRB has launched or plans to launch a series of regulatory initiatives aimed at improving post-trade, time of trade, and pre-trade transparency, including the issuance of a request for comment (RFC) on proposed amendments to post-trade reporting requirements.



- 2. Enhancing municipal securities market transparency and access on EMMA:** We are investing in modernizing the Electronic Municipal Market Access (EMMA®) website. We continued to work on enhancing EMMA to facilitate regulatory compliance and make EMMA easier to use. While we are still in the middle of a major refresh of the EMMA user experience, we are focused on improving the continuing disclosure submission process and other critical enhancements based on user feedback such as improving capabilities for issuers to make voluntary disclosures. We also redesigned our website MSRB.org to improve navigation and make information easy to find.
- 3. Improving the quality of market data to enhance investor and issuer protection:** We took important steps to enhance our ability to serve as the central repository of data for the municipal securities market. One major initiative was the launch of EMMA Labs, the MSRB’s innovation sandbox. EMMA Labs enables municipal market participants to co-create the future of transparency by testing prototypes of data analytic tools and services for their potential release on EMMA.
- 4. Upholding the public trust through transparency and accountability:** Our duty to uphold the public trust in the municipal securities market and in the MSRB as the market’s SRO begins with fiscal transparency and accountability. We instituted a new fee setting process that better manages our reserves and ensures the MSRB has sufficient revenues to fund operations as we deliver on our multi-year strategic plan.

As we look forward to FY 2023, our highest responsibility is to serve the public interest and advance the public’s trust in the MSRB. We continue to make critical investments in the future of the MSRB and its ability to serve as the principal regulator of the municipal securities market. And we remain inspired by our vision to give America the confidence to invest in its communities.

Sincerely,

Meredith Hathorn
 Meredith Hathorn, Board Chair

Mark T. Kim
 Mark Kim, Chief Executive Officer

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Modernizing the MSRB Rule Book to Create a More Fair and Efficient Market

Financial markets are modernizing at an increasingly rapid pace as technologies become more sophisticated and the way financial organizations do business evolves. This is true not only of the broader financial markets, but also of the unique market the MSRB is charged with strengthening and protecting. This means we must modernize our rules to reflect changing market practices and seek to avoid undue compliance burdens as we work to address market harms and promote market transparency.

Over the past year, the MSRB made important strides to bring about greater transparency in the municipal market. During the summer, the MSRB issued an RFC to explore whether the time might be right to consider shortening what constitutes “real-time” trade reporting in the municipal market from 15 minutes to as soon as practicable, but no later than within one minute of the time of trade. The 15-minute requirement has been in place since 2005. We solicited comments in coordination with fellow regulator, the Financial Industry Regulatory Authority (FINRA), and received over 50 comment letters in response. We are reviewing comments submitted, conducting additional data analysis and, in close coordination with FINRA, engaging in additional stakeholder outreach to inform next steps.

As part of our ongoing retrospective rule review, we continued efforts to promote efficiency, consistency and clarity in the MSRB rule book and furthered our multi-year initiative to review the MSRB’s entire library of interpretive guidance and update, codify or retire guidance, as appropriate. The goal of this initiative is to support compliance and reduce unnecessary costs and burdens for regulated entities while continuing to maintain important market protections.

WE MUST MODERNIZE OUR RULES TO REFLECT CHANGING MARKET PRACTICES AND SEEK TO AVOID UNDUE COMPLIANCE BURDENS AS WE WORK TO ADDRESS MARKET HARMS AND PROMOTE MARKET TRANSPARENCY.



MARKET REGULATION GOAL

Our goal is to modernize municipal securities market regulation through a prudent and practical approach that promotes a fair and efficient market and facilitates capital formation; aligns with the broader landscape of securities regulation; addresses market harms to investors and issuers; analyzes costs and benefits of compliance burdens; and strengthens our market and the opportunities it provides.

For example, this past year the MSRB:

- Proposed and implemented amendments to Rule G-34 to better align requirements for obtaining CUSIP numbers with current market practices;
- Proposed a standalone rule for solicitor municipal advisors that would establish the core standards of conduct for such municipal advisors, codify certain interpretive guidance and better align solicitor municipal advisor obligations with those applicable to certain other regulated financial professionals;
- Published an RFC on draft amendments to MSRB Rule G-32 to streamline the deadlines for submitting information on Form G-32 and make other changes to improve the readability of the rule; and
- Authorized proposed amendments to Rule G-40 that would allow municipal advisors to use testimonials, subject to limitations, in alignment with those applicable to SEC-registered investment advisers.

Other MSRB rulemaking initiatives included amending Rule G-3 continuing education program requirements to harmonize with industry-wide changes; applying Regulation Best Interest requirements to municipal securities activities of bank dealers under Rule G-19; and amending Rule G-48 to exempt institutional “sophisticated municipal market professionals” from the quantitative suitability requirement. The MSRB also provided additional regulatory relief for dealers in light of the ongoing impact of the pandemic, extending temporary permissions under Rule G-27 to conduct office inspections remotely until June 30, 2023. And last, but not least, the MSRB amended certain rates of assessment for rate card fees under Rules A-11 and A-13 and implemented a new rate card process for future rate amendments.

Looking ahead, the MSRB is evaluating a potential pre-trade data collection initiative for the municipal securities market and is coordinating with fellow regulators in this space.



Modernizing EMMA and MSRB.org to Enhance Transparency

The MSRB operates the technology infrastructure that powers the municipal securities market and provides transparency for investors, issuers and all market participants. Over the past 15 years, the MSRB has made important strides in our efforts to protect and strengthen the market by significantly advancing municipal securities market transparency through the EMMA website and related technology systems.

The MSRB is working to take advantage of our investment in enterprise cloud technology with a view to constantly improving the transparency that EMMA provides. As part of this multi-year initiative, we are focused on balancing planning for EMMA's future modernized state while delivering near-term user improvements. During the year, the MSRB:

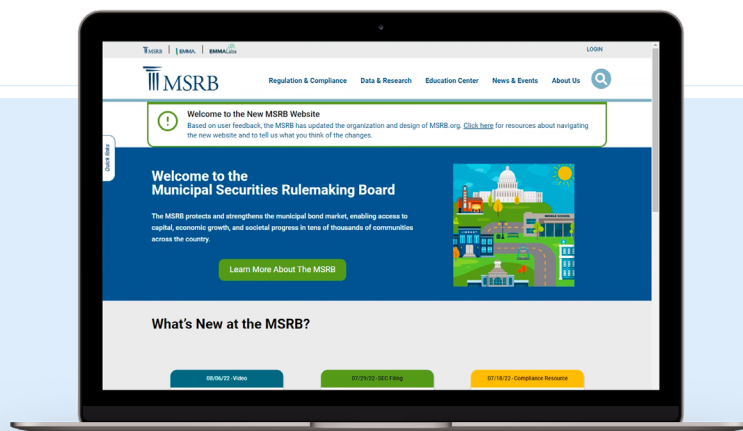
- Continued a multi-year effort to remove unused CUSIP numbers (unique identifiers for individual securities) from EMMA as part of an overall effort to improve EMMA's data and information;
- Added another free yield curve to EMMA to provide investors and others another tool for understanding the general level of municipal interest rates; and
- Added a new feature to the new issue calendar on EMMA that indicates when an upcoming municipal security new issue is either self-designated or certified as meeting certain Environmental, Social or Governance (ESG) criteria.

Looking ahead, the MSRB is working on consolidating all of our market transparency systems under the EMMA brand and delivering a personalized end-user experience, addressing stakeholder pain points, and providing improved operational efficiencies. This includes completely redesigning the EMMA website with more user-friendly navigation and accessibility and continuing to address data quality issues. Other upgrades include improving the continuing disclosure submission process, the Form A-12 submission process and the EMMA Alerts tool.



MARKET TRANSPARENCY GOAL

Our goal is to leverage our investment in the cloud and in our people to enhance the value of EMMA[®] as a platform that benefits all market participants and the public; adopt new technologies that strengthen our ability to protect investors and issuers and enhance overall market fairness and efficiency to foster market liquidity and resiliency; and leverage technology to enable education about and engagement with the municipal securities market.



MODERNIZING MSRB.ORG

In 2022, the MSRB continued to lead the way in making the municipal securities market more transparent by making our corporate website, MSRB.org, easier to use. The MSRB's redesigned MSRB.org website makes navigation more intuitive and information easier to find both for frequent users and new users seeking to learn about the MSRB. Addressing feedback from frequent users, including dealers, municipal advisors, issuers and investors, key enhancements include a more user-friendly design, dynamic pages that consolidate related content, and more powerful search capabilities.

Improving the Quality of Market Data to Enhance Investor and Issuer Protection

The MSRB collects and publicly disseminates millions of data points on municipal securities trades, issuers and the broader market. Market participants depend on this data to issue, trade and invest in municipal securities, and to understand market trends. With a view to empowering better decisions and fueling innovation for the future, the MSRB is leveraging our investment in cloud computing and data analytics to enhance the quality, accessibility, security and value of this data for market participants.

A major initiative in 2022 was the public launch of EMMA Labs, which opened up a new technological pathway for the MSRB to engage with stakeholders. EMMA Labs is the MSRB's innovation sandbox where municipal market participants can collaborate to test and provide feedback on prototypes of possible new tools for the EMMA website. EMMA Labs debuted with two Active Labs—an advanced keyword search engine that unlocks information contained in tens of thousands of disclosures submitted to the MSRB as unstructured PDFs, and a market analysis dashboard that empowers users to visualize market trends. EMMA Labs also features Idea Labs, where market participants can contribute ideas for future labs, tools and partnerships.

Generating Insights from Municipal Market Data

The MSRB's research team regularly analyzes the data the MSRB collects to identify trends, inform regulatory decision-making and assist policymakers, market participants, the media and the general public in understanding the municipal securities market. Over the last year, the team delivered important insights in a number of research reports, many of which are detailed below.

- In *Primary Offerings of Municipal Securities: Impact of COVID-19 Crisis on Competitive and Negotiated Offerings*, the MSRB's chief economist examined the impact of the market crisis caused by the COVID-19 pandemic on competitive and negotiated primary offerings of municipal securities.
- MSRB report *Customer Trading with Alternative Trading Systems* revealed a significant and relatively steady increase in customer transactions using alternative trading systems (ATSs) since 2016, with ATS transactions with institutional customers, including municipal bond separately managed accounts, growing dramatically.



MARKET DATA GOAL

Our goal is to provide high quality market data that enable comprehensive analysis of the municipal securities market; develop innovative data products and services that provide value for investors, issuers and all market participants; and increase the opportunities for data to strengthen market efficiency and fairness.

- In its [2022 Mid-Year Market Update](#), the MSRB's research team reported significant changes in the municipal bond market in the first half of 2022, including unprecedented outflows from tax-exempt mutual funds, a surge in trading of municipal bond exchange-traded funds (ETFs), and a significant decline in taxable new issue volume, among other findings.
- In [Trends in Municipal Securities Ownership](#), the team noted that trading volumes in the municipal securities market decreased significantly over the 15 years from 2007 through 2021, which it attributed mainly to a dramatic decline in the variable-rate market.
- MSRB report [Use of Internal and External Liquidity in the Municipal Market](#) revealed that the use of external liquidity in the municipal securities market has changed significantly over the last 10 years, while the profile of the firms providing external liquidity also changed.

FURTHERING OUR UNDERSTANDING OF A DYNAMIC MARKET ENVIRONMENT

The MSRB issued a request for information (RFI) to solicit public comment from stakeholders and other market participants on the integration of environmental, social and governance (ESG) practices—in particular, bond labeling and disclosure practices—in the municipal securities market. The purpose of the RFI was to further our own and the broader market's understanding of how these rapidly evolving practices impact the ability of regulated entities to comply with MSRB rules and whether these practices implicate the MSRB's investor and issuer protection mandate. The public comments were robust and helped inform the MSRB's and the market's understanding of changing market dynamics. We will continue to monitor ESG trends and engage with the broader market to understand their implications for market fairness, efficiency and transparency.



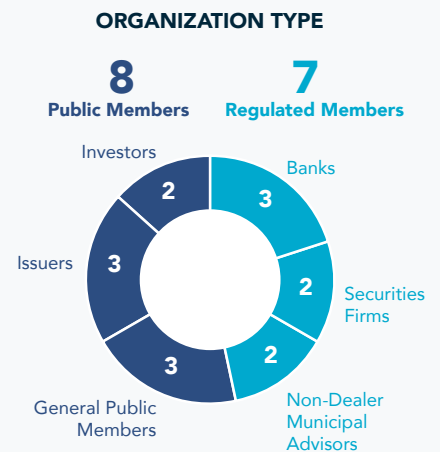
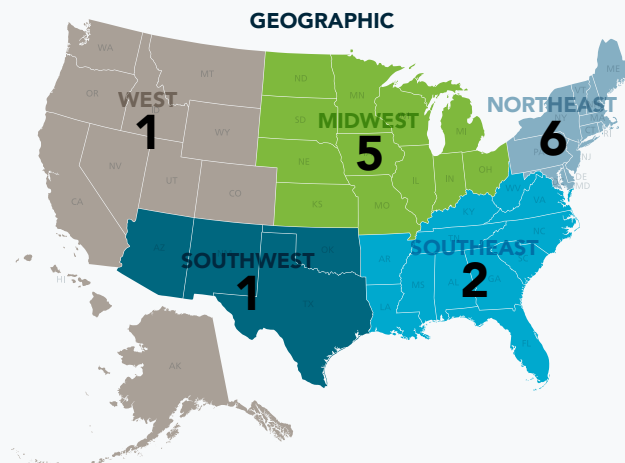
Upholding the Public Trust

As the SRO charged with protecting and strengthening the municipal securities market, the MSRB understands that upholding the public trust underpins everything we do to give America the confidence to invest in its communities. Upholding the public trust requires a commitment to fiscal transparency and accountability, as well as to social responsibility, diversity, equity and inclusion, both within the organization as well as in the market we serve. It also requires that the MSRB continuously engage in dialogue with market stakeholders as we work to advance our multi-year strategic plan.

Among the highest responsibilities of an SRO is prudent stewardship of the revenue we receive from regulated entities. Following a thorough evaluation of the way we assess fees on regulated entities and after careful consideration of input from stakeholders, in 2022 the MSRB established a nimbler and more sustainable fee model. The new fee model seeks to maintain a fair and equitable balance of fees among regulated entities, while ensuring we have sufficient annual revenue and organizational reserves to maintain our operations, without interruptions, even in economic downturns and other unforeseen circumstances. The new annual rate card process, which became operative for the 2023 fiscal year, annually adjusts fee rates to account for prior year results, eliminating the potential for significant over-accumulation of reserves as had happened in the past, and allowing the MSRB to more effectively and efficiently manage reserves over time.

The MSRB's efforts to foster diversity, equity and inclusion (DEI) in the municipal securities market start within the organization. After casting a wide net to identify a new class of market experts to join our Board of Directors, we are pleased to report that our FY 2023 Board is the most diverse in our nearly 50-year history. Two-thirds of current Board members are women, and one-third are members of a racial minority—each Board member bringing a wealth of experience, a distinct perspective and an outstanding commitment to overseeing the execution of our long-term strategic goals. The MSRB's senior team is also the most diverse it has ever been, with 40% being women and three out of ten identifying as racial minorities.

FY 23 BOARD COMPOSITION



*Not Hispanic or Latino.



PUBLIC TRUST GOAL

Our goal is to fulfill our Congressional mandate to protect the public interest. We do this by fostering dialog and working collaboratively with all market participants and the broader community we serve and building an organization that lives according to its core values and delivers on its strategic goals.

As part of our DEI efforts in the broader municipal securities market, we expanded MSRB support of underserved high school students interested in careers in public finance by hosting Municipal Finance Day in partnership with the Chicago Summer Business Institute's program in addition to our longstanding partnership with the Municipal Forum of New York's Urban Leadership Fellows Program. In addition, in partnership with FINRA, the MSRB is fostering a robust dialogue with minority-, women- and veteran-owned enterprises to understand their challenges and the opportunities unique to their firms to enhance the market's efficiency, fairness and access to capital.

The MSRB is also committed to making a difference in our local Washington, D.C., community through volunteer and fundraising activities. MSRB staff came together to donate school supplies to students of a local elementary school, as well as toys, gift baskets and gift cards to children and adult survivors of domestic violence under the care of My Sister's Place, a cornerstone of Washington, D.C.'s response to domestic violence since 1979.



STAKEHOLDER ENGAGEMENT

In FY 2022, the MSRB:

- Received 52 comment letters in response to our request for information on ESG practices in the municipal securities market and 52 comment letters in response to our request for comment on one-minute trade reporting.
- Participated in 98 stakeholder meetings and events, reaching approximately 8,340 individuals across our stakeholder universe.
- Engaged selected stakeholders to review interactive wireframes of the redesigned MSRB.org website.

BOARD OF DIRECTORS 2022–2023

MSRB is governed by a [Board of Directors](#) that consists of 15 members, including eight public members and seven regulated members, all of whom have deep expertise in the municipal securities market.

OFFICERS

Meredith L. Hathorn
Chair

Carol Kostik
Vice Chair

PUBLIC REPRESENTATIVES



David Belton
Director
American Family Insurance
Madison, Wisconsin



Jennie Huang Bennett
Chief Financial Officer
City of Chicago
Chicago, Illinois



Meredith L. Hathorn
Managing Partner
Foley & Judell, LLP
Baton Rouge, Louisiana



Katano Kasaine
*Assistant General Manager
and Chief Financial Officer*
Metropolitan Water District
of Southern California
Los Angeles, California



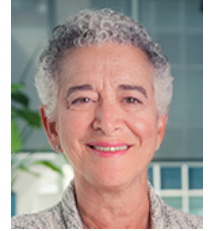
Carol Kostik
Retired
New York, New York



Thalia Meehan
Retired
Boston, Massachusetts



Horatio Porter
*Chief Financial Officer
and Assistant Executive
Director of Finance*
North Texas Tollway
Authority (NTTA)
Plano, Texas



Donna Simonetti
Retired
Portland, Maine

SECURITIES FIRM REPRESENTATIVES



Warren "Bo" Daniels
*Managing Director and
Head of Public Finance*
Loop Capital Markets
Atlanta, Georgia

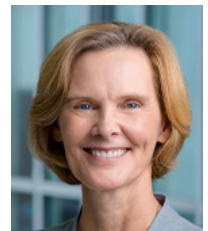


Francis ("Frank") Fairman
*Managing Director and Head
of Public Finance Services*
Piper Sandler & Co.
Minneapolis, Minnesota

MUNICIPAL ADVISOR REPRESENTATIVES



Jill Jaworski
*Managing Director and
Partner*
PFM Financial Advisors
Chicago, Illinois



Liz Sweeney
President and Founder
Nutshell Associates, LLC
Lutherville-Timonium,
Maryland



BANK REPRESENTATIVES



Natasha A. Holiday
Managing Director
and Head of the
New York Office
RBC Capital Markets
New York, New York



Daniel Kiley
Managing Director and
Head of Municipal Fixed
Income Trading
Wells Fargo Advisors
St. Louis, Missouri



Angelia Schmidt
Managing Director and
Head of Underwriting
UBS
New York, New York

MSRB SENIOR LEADERSHIP



Mark T. Kim
Chief Executive Officer



Nanette D. Lawson
Chief Operating Officer



Omer Ahmed
Chief Financial Officer



Brian Anthony
Chief Data Officer



John A. Bagley
Chief Market Structure
Officer



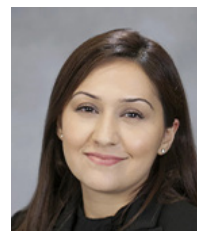
Adam Cusson
Chief Technology Officer



Jill Furick
Chief People Officer



Jacob Lesser
General Counsel



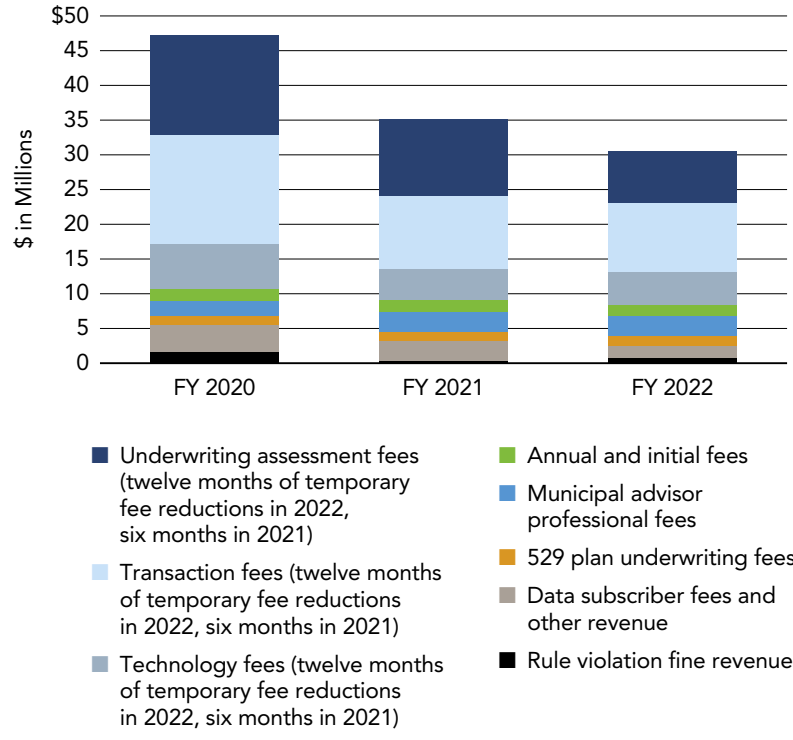
Saliha Olgun
Interim Chief Regulatory
Officer



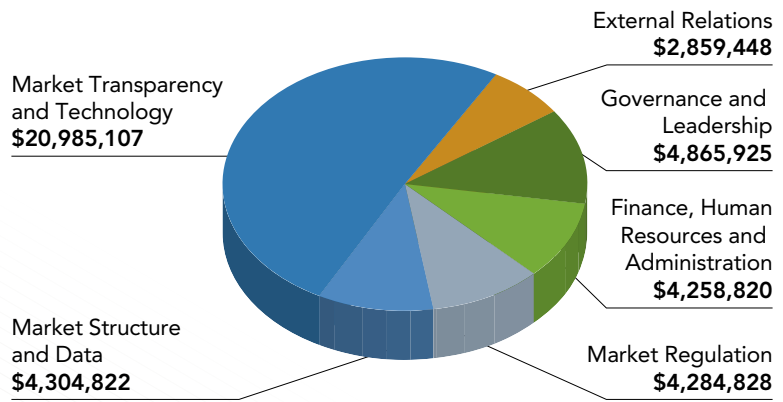
Leah Szarek
Chief External Relations
Officer

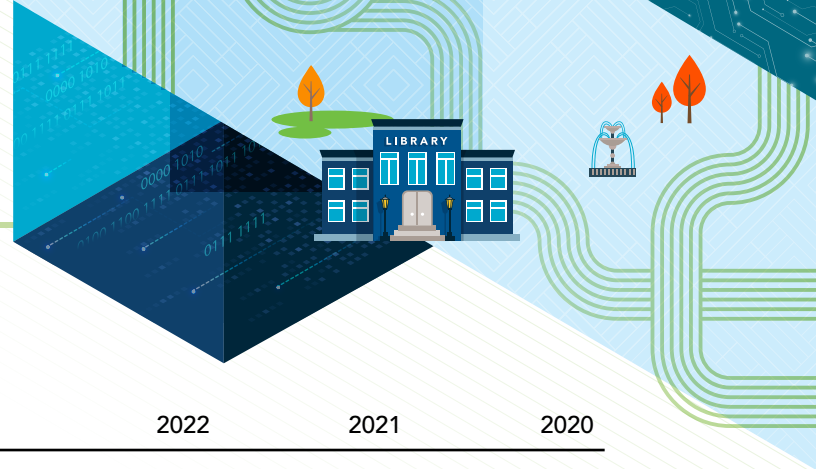
2022 FINANCIAL HIGHLIGHTS

REVENUE



EXPENSES





<i>September 30</i>	2022	2021	2020
Statements of Financial Position			
Total Assets	\$ 68,082,981	\$ 78,531,119	\$ 83,153,694
Total Liabilities	11,570,964	10,936,216	9,492,157
Total Net Assets — Without Restrictions	\$ 56,512,017	\$ 67,594,903	\$ 73,661,537
Statements of Activities			
Revenue:			
Underwriting assessment fees (twelve months of temporary fee reductions in 2022, six months in 2021)	\$ 7,439,316	\$ 11,047,685	\$ 14,344,739
Transaction fees (twelve months of temporary fee reductions in 2022, six months in 2021)	9,942,109	10,551,879	15,810,342
Technology fees (twelve months of temporary fee reductions in 2022, six months in 2021)	4,777,373	4,498,381	6,421,457
Annual and initial fees	1,531,000	1,623,000	1,717,000
Municipal advisor professional fees	2,937,000	2,945,000	2,275,500
529 plan underwriting fees	1,497,483	1,331,954	1,166,953
Data subscriber fees and other revenue	1,590,283	2,777,994	3,970,421
Rule violation fine revenue	761,500	321,587	1,539,855
Total Revenue	30,476,064	35,097,480	47,246,267
Expenses	41,558,950	41,164,114	43,872,714
Change in Net Assets	\$ (11,082,886)	\$ (6,066,634)	\$ 3,373,553
Statements of Cash Flows			
Cash Provided (Used) from Operating Activities	\$ (5,333,455)	\$ 3,505,534	\$ 3,192,169
Cash Investment in Technology Systems and Other Fixed Assets	\$ 7,892,994	\$ 4,329,736	\$ 2,076,376



Financial Statements as of and for the Years Ended September 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Directors of The Municipal Securities Rulemaking Board

Opinion

We have audited the accompanying financial statements of The Municipal Securities Rulemaking Board (the "MSRB"), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MSRB as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MSRB 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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with US GAAS, we:

PricewaterhouseCoopers LLP, 655 New York Avenue, Washington, DC 20001
T: (202) 414 1000, www.pwc.com/us



- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MSRB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MSRB's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

Washington, DC
December 22, 2022

STATEMENTS OF FINANCIAL POSITION

<i>September 30, 2022 and 2021</i>	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,874,774	\$ 4,846,344
Accounts receivable, net	4,095,489	3,848,794
Prepaid and other assets	1,773,604	1,663,128
Accrued interest receivable	143,608	191,678
Investments	43,210,869	57,391,169
Fixed assets, net	14,984,637	10,590,006
TOTAL ASSETS	\$ 68,082,981	\$ 78,531,119
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 4,806,635	\$ 3,824,014
Accrued vacation payable	1,145,548	1,166,914
Data subscription contract liabilities	290,847	214,700
Lease obligation	2,988	3,751
Deferred rent	5,324,946	5,726,837
Total liabilities	11,570,964	10,936,216
Undesignated net assets	47,388,732	52,752,508
Board designated, systems modernization fund	9,123,285	14,842,395
Net assets — without restrictions	56,512,017	67,594,903
TOTAL LIABILITIES AND NET ASSETS	\$ 68,082,981	\$ 78,531,119

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

STATEMENTS OF ACTIVITIES

<i>For the years ended September 30, 2022 and 2021</i>	2022	2021
REVENUE:		
Underwriting fees	\$ 7,439,316	\$ 11,047,685
Transaction fees	9,942,109	10,551,879
Technology fees	4,777,373	4,498,381
Annual and initial fees	1,531,000	1,623,000
Data subscriber fees	2,440,175	2,359,086
Municipal advisor professional fees	2,937,000	2,945,000
529 plan underwriting fees	1,497,483	1,331,954
Rule violation fine revenue	761,500	321,587
Other (loss) income	(849,892)	418,908
Total Revenue	30,476,064	35,097,480
EXPENSES:		
Market Regulation	4,284,828	3,979,560
Market Transparency and Technology	20,985,107	20,244,228
Market Structure and Data	4,304,822	4,587,424
External Relations	2,859,448	2,821,348
Governance and Leadership	4,865,925	5,174,561
Finance, Human Resources and Administration	4,258,820	4,356,993
Total Expenses	41,558,950	41,164,114
CHANGE IN NET ASSETS	(11,082,886)	(6,066,634)
NET ASSETS — Beginning of year	67,594,903	73,661,537
NET ASSETS — End of year	\$ 56,512,017	\$ 67,594,903

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

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30, 2022

	Program Activities					Supporting Activities		
	Market Regulation	Market Transparency and Technology	Market Structure and Data	External Relations	Program Totals	Governance and Leadership	Finance, Human Resources and Administration	Total Expenses
Compensation of current officers, directors, other salaries and employee benefits	\$ 3,491,985	\$ 8,696,963	\$ 3,307,397	\$ 1,444,906	\$ 16,941,251	\$ 3,584,533	\$ 2,965,776	\$ 23,491,560
Fees for services	72,703	2,352,130	297,383	837,636	3,559,852	425,986	428,699	4,414,537
Information technology	94,881	3,743,931	110,016	214,172	4,163,000	97,456	168,243	4,428,699
Occupancy	333,151	939,189	325,067	133,614	1,731,021	253,708	276,764	2,261,493
Travel and meetings	66,101	10,798	2,813	26,447	106,159	177,088	49,463	332,710
Depreciation and amortization	69,825	3,405,795	68,131	28,004	3,571,755	53,175	58,007	3,682,937
Insurance	30,581	84,368	29,839	12,265	157,053	176,335	25,405	358,793
Data and information services	28,347	1,173,884	40,159	6,583	1,248,973	—	—	1,248,973
Dues, registration and training	13,316	45,362	18,092	1,320	78,090	6,179	44,230	128,499
Property and other taxes	11,799	321,901	38,978	60,930	433,608	11,215	17,759	462,582
Office and other expenses	72,139	210,786	66,947	93,571	443,443	80,250	224,474	748,167
Total Expenses	\$ 4,284,828	\$ 20,985,107	\$ 4,304,822	\$ 2,859,448	\$ 32,434,205	\$ 4,865,925	\$ 4,258,820	\$ 41,558,950

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30, 2021

	Program Activities					Supporting Activities		
	Market Regulation	Market Transparency and Technology	Market Structure and Data	External Relations	Program Totals	Governance and Leadership	Finance, Human Resources and Administration	Total Expenses
Compensation of current officers, directors, other salaries and employee benefits	\$ 3,250,201	\$ 8,442,212	\$ 3,343,430	\$ 1,122,720	\$ 16,158,563	\$ 3,865,680	\$ 3,069,678	\$ 23,093,921
Fees for services	70,738	3,121,423	494,949	956,861	4,643,971	538,628	425,053	5,607,652
Information technology	105,347	3,418,240	128,865	141,872	3,794,324	118,406	173,794	4,086,524
Occupancy	332,940	943,218	357,242	115,764	1,749,164	291,175	303,648	2,343,987
Travel and meetings	10,989	6,138	1,496	1,024	19,647	55,798	32,328	107,773
Depreciation and amortization	59,976	2,677,728	64,354	264,022	3,066,080	52,453	54,699	3,173,232
Insurance	26,230	73,001	28,144	9,120	136,495	159,533	23,922	319,950
Data and information services	26,303	1,156,107	28,620	6,670	1,217,700	—	—	1,217,700
Dues, registration and training	19,562	39,238	23,923	7,469	90,192	4,060	25,846	120,098
Property and other taxes	11,053	196,055	53,460	101,510	362,078	11,465	18,657	392,200
Office and other expenses	66,221	170,868	62,941	94,316	394,346	77,363	229,368	701,077
Total Expenses	\$ 3,979,560	\$ 20,244,228	\$ 4,587,424	\$ 2,821,348	\$ 31,632,560	\$ 5,174,561	\$ 4,356,993	\$ 41,164,114

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (11,082,886)	\$ (6,066,634)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,682,937	3,173,232
Net loss on disposal of long-lived assets	53,485	–
Net investment returns	1,924,659	959,001
Bad debt expense	8,360	77,729
Changes in assets and liabilities:		
Accounts receivable	(255,055)	3,658,943
Prepaid and other assets	(200,695)	219,011
Accrued interest receivable	48,070	43,014
Accounts payable and accrued liabilities	834,780	1,541,170
Accrued vacation payable	(21,366)	258,623
Data subscription contract liabilities	76,147	(5)
Deferred rent	(401,891)	(358,550)
Net cash (used) provided by operating activities	(5,333,455)	3,505,534
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of long-lived assets	(7,892,994)	(4,329,736)
Purchases of investments	(14,544,358)	(30,029,072)
Maturities of investments	26,800,000	32,683,963
Net cash provided (used) in investing activities	4,362,648	(1,674,845)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of lease obligation	(763)	(679)
Net cash used in financing activities	(763)	(679)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(971,570)	1,830,010
CASH AND CASH EQUIVALENTS, Beginning of year	4,846,344	3,016,334
CASH AND CASH EQUIVALENTS, End of year	\$ 3,874,774	\$ 4,846,344
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrual of long-lived assets	\$ 151,339	\$ 3,500

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

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. NATURE OF OPERATIONS

The Municipal Securities Rulemaking Board (MSRB) was created by Congress under the 1975 Amendments to the Securities Exchange Act of 1934, and the authority of the MSRB was expanded by further amendments to the Exchange Act under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (as amended, the Exchange Act). The MSRB is incorporated as a not-for-profit, non-stock corporation pursuant to the laws of the Commonwealth of Virginia. Under the Exchange Act, the MSRB is a self-regulatory organization (SRO) with authority to adopt rules regulating the municipal securities activities of brokers, dealers and municipal securities dealers, and the municipal advisory activities of municipal advisors (collectively referred to as "regulated entities"), to promote fair and efficient markets and to protect investors, municipal entities, obligated persons and the public interest. The MSRB collects and disseminates market information, operates the Electronic Municipal Market Access (EMMA[®]) website to promote transparency and widespread access to information, and also engages with stakeholders on a variety of topics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

COVID-19 Implications on Operations and Liquidity — The MSRB had taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for MSRB staff. In addition, the MSRB had taken steps to monitor and mitigate the effects of COVID-19 on the industry. Throughout 2022 and 2021, we assessed and closely monitored the impact of the pandemic on all aspects of our operations and financial results. Other than a reduction in travel and meeting expenses, there has not been a material impact on the operations and liquidity of the MSRB and as discussed in note 12, reserves are maintained to ensure funding of critical operations.

Basis of Accounting — The MSRB's financial statements are prepared using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP). The MSRB is required to report the following net asset classifications:

- **Net assets without restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the MSRB. These net assets may be used at the discretion of MSRB's management and the Board.
- **Net assets with restrictions:** Net assets subject to stipulations imposed by donors and grantors. The MSRB does not have donor restricted net assets.

Fair Value Measurement — The MSRB measures fair value in accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 820, Fair Value Measurement, which provides a common definition of fair value for GAAP, establishes a framework for measuring fair value, provides a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements.

Cash Equivalents — Highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents. Included in cash equivalents are short term money market mutual funds fully invested in securities backed by the full faith and credit of the United States (U.S.) Government with a total fair market value of approximately \$2.1 million and \$4.0 million at September 30, 2022 and 2021, respectively.

Investments — Investments are stated at fair value. Investments consist of U.S. Treasury notes, obligations of U.S. government sponsored enterprises that are fully guaranteed by the U.S. Government, and certificates of deposit that are FDIC insured.

Accounts Receivable and Allowance for Doubtful Accounts — Accounts receivable are recorded at invoiced amounts and do not bear interest. Accounts receivable are reported net of an allowance for doubtful accounts in the statements of financial position. Management's estimate of the allowance for doubtful accounts is based on historical collection experience and ongoing account reviews. Account balances are written off against the allowance once the potential for recovery is considered remote.

Concentration of Credit Risk — Financial instruments that potentially subject the MSRB to a concentration of credit risk consist principally of cash, cash equivalents, accounts receivable and investments. The MSRB maintains cash primarily in non-interest-bearing accounts with FDIC insurance up to \$250,000 with one account balance exceeding the FDIC limit by approximately \$1,473,000 and \$486,000 at September 30, 2022 and 2021, respectively. MSRB investments are backed by the full faith and credit of the U.S. Government or its fully

guaranteed government sponsored enterprises. Accounts receivable consist of fees due from regulated entities and data subscribers. At times, there are certain significant balances due from regulated entities but the MSRB does not believe it is exposed to any significant credit risk on these balances. Eight regulated entities accounted for approximately one-third of total fee revenue in fiscal year 2022 and six regulated entities accounted for approximately one-third of total fee revenue in fiscal year 2021.

Use of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, realization of accounts receivable, the carrying value of investments, the impairment of long-lived assets, and the capitalization of internally developed software costs. Actual results could differ from those estimates.

Fixed Assets — Computer and office equipment, as well as furniture and fixtures, are recorded at cost and are depreciated using the straight-line method over three years and five years, respectively. Acquisition costs include all expenses necessary to prepare the asset for its intended purpose including direct labor related costs. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease period or the estimated useful life of the improvement. Improvements and replacements of fixed assets are capitalized. Maintenance and repairs that do not improve or extend the lives of fixed assets are charged to expense as incurred.

When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the statements of activities.

Capitalized Software Costs — The MSRB capitalizes certain costs associated with computer software developed or obtained for internal use as part of the MSRB information systems. The MSRB's policy provides for the capitalization of external direct costs of materials and services and direct payroll-related costs incurred during the application development stage as well as costs related to upgrades and enhancements to this software provided it is probable that these expenditures will result in additional functionality. Costs associated with preliminary project stage activities, training, maintenance and post implementation stage activities are expensed as incurred.

After all substantial testing and deployments are completed and the software is ready for its intended use, internally developed software costs are amortized using the straight-line method over three or five years, depending upon the expected useful life.

Software as a Service Implementations— As we continue to modernize systems and advance our Strategic Plan goals of Market Data and Market Transparency, we incur costs to implement software licensed or hosted by a third-party vendor in cloud computing environments offered as a service. Implementation costs incurred during the onboarding or customization stage are generally capitalized and amortized over the term of the software service or hosting arrangement on a straight-line basis. For the year ended September 30, 2022, we capitalized approximately \$65,000 of costs incurred to implement software as a service arrangement. These costs were primarily related to the implementation of a data extraction and transformation software service for PDF documents and a platform hosting service for the MSRB's website hosting software. Amortization expense of capitalized implementation costs for cloud computing arrangements totaled approximately \$16,000 for the year ended September 30, 2022, which is included in computer licenses, maintenance and supplies and consulting expenses within the statement of functional expenses. The net deferred cloud implementation costs of approximately \$49,000 are included within prepaid expenses and other assets on the statement of financial position and will be expensed over the term of the related cloud computing arrangements.

Impairment of Long-Lived Assets — The MSRB's policy is to review its long-lived assets, such as fixed assets and capitalized software costs, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment, if any, is recognized in the period of identification to the extent the carrying amount of an asset exceeds the fair value of such asset.

Leases — The MSRB leases office space under a non-cancelable operating lease which includes options that permit renewals for additional periods as well as a one-time option to terminate with a significant termination penalty. Rent abatements and escalations are considered in the determination of straight-line rent expense for operating leases. Lease incentives are recorded as a component of deferred rent and recognized as a reduction to rent expense on a straight-line basis over the lease term.

Data Subscription Contract Liabilities — Data subscription contract liabilities relates to payments received in advance of the satisfaction of performance under the data subscription contract which is the delivery of the data feeds. We receive payments from data subscribers based upon the terms established in our contracts.

Reciprocal Transactions — The MSRB receives municipal credit ratings data for municipal securities in exchange for its data subscription service feeds. The revenue and expenses are recognized in the statement of activities at the same data subscription fee rate that other data subscribers pay for similar services. Revenue and expenses recognized totaled \$137,500 for the years ended September 30, 2022 and 2021.

Functional Allocation of Expenses — The costs of providing the various organizational activities and programs have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation determined by management on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, occupancy, internal information technology, office expenses, general insurance, and personal property taxes, which are allocated based upon a percentage of total salaries. Certain salaries were allocated based upon estimated efforts.

Functional Descriptions:

Market Regulation — This group is responsible for developing and maintaining the MSRB rules that establish responsibilities and standards for brokers, dealers, and municipal securities dealers affecting municipal securities transactions and for municipal advisors that engage in municipal advisory activities. These staff also maintain the MSRB's professional qualifications program, create compliance and educational resources for regulated entities and provide assistance to other securities regulators that examine for compliance with and enforce MSRB rules.

Market Transparency and Technology — These groups are responsible for developing and operating the MSRB's market transparency and information systems that receive, process and disseminate data and documents relied on by the municipal securities market, supporting business operations and optimizing the business experience. Cybersecurity prevention, detection and incident response are also the responsibility of these staff.

Market Structure and Data — These groups are responsible for initiatives that provide insight into the municipal market through data, research and analysis. This includes a focus on the governance, quality and analysis of data collected by the MSRB's market transparency systems and providing economic analysis and research relating to regulatory and transparency projects. Economic analysis informs the regulatory approach to addressing an identified need for rulemaking and evaluates the cost of the regulation against the benefit to the market. Working with market transparency and technology, these groups also guide strategic development and ongoing improvements of MSRB's market transparency systems including the EMMA(R) website.

External Relations — This group is responsible for managing and supporting efforts to engage and communicate with external stakeholders, including investors, issuers, regulated entities, fellow regulators and policy makers responsible for oversight of the MSRB. The MSRB's external relations staff oversee MSRB corporate communications, government relations events, education programs and related activities.

Governance and Leadership — This group consists of the members of the Board of Directors and certain staff, including executive leadership and internal legal and governance staff in supporting roles. The Board of Directors consists of a of majority public members, including issuers and investors, as well as members representing regulated entities, including municipal advisors, broker-dealers and banks. The Board exercises oversight of the operation and administration of the organization, makes policy decisions and authorizes rulemaking and market transparency initiatives.

Finance, Human Resources and Administration — These groups are responsible for the day-to-day financial, risk, people and facilities management at the MSRB ensuring appropriate spending, staffing and application of internal controls while supporting operations. These groups include accounting, administrative services, human resources, finance and risk management.

Revenue Recognition:

As the self-regulatory organization for the municipal market, the MSRB's performance obligations under the Exchange Act include the adoption of rules regulating the municipal securities activities of brokers, dealers and municipal securities dealers, and the municipal advisory activities of municipal advisors, collecting and disseminating market information, and operating the Electronic Municipal Market Access (EMMA®) website. In addition, the MSRB engages in outreach and provides education to stakeholders and provides enforcement support to other regulators who enforce MSRB rules. Circumstances may exist where such revenue could be variable, the estimate of variable consideration is not typically constrained, as any effects of such variable consideration are known to the MSRB prior to the release of the financial statements.

Underwriting Fees — The underwriting fee on municipal securities dealers acting as underwriters is required to be paid per Rule A-13 and is equal to \$0.0275 per \$1,000 of the par value of municipal securities purchased by underwriters from an issuer as part of a new issue. Consistent with the Board's stated approach to monitor and manage organizational reserve levels, the Board temporarily reduced the rate of assessment for municipal securities dealers' underwriting during the third and fourth quarters of fiscal year 2021 extending until September 30, 2022 to \$.0165 per \$1,000 of the par value of municipal securities purchased by underwriters from an issuer as part of a new issue.

The performance obligation associated with underwriting fees is satisfied in the month the underwriter files the offering document with the MSRB at which time revenue is recognized.

Transaction Fees — The transaction fee on municipal securities dealers is required to be paid per Rule A-13 and is \$0.01 per \$1,000 par value of bonds sold and is levied on both customer and interdealer transactions as specified in Rule A-13. As described in this rule, certain transactions are exempt from this fee. Consistent with the Board's stated approach to monitor and manage organizational reserve levels, the Board temporarily reduced the rate of assessment for municipal securities dealers' transaction fees related to market activity during the third and fourth quarters of fiscal year 2021 extending until September 30, 2022 to \$.0060 per \$1,000 of the par value of bonds sold.

The performance obligation associated with transaction fees is satisfied as transactions are settled at which time revenue is recognized.

Technology Fees — The technology fee on municipal securities dealers is required to be paid per Rule A-13 and is \$1.00 per municipal security trade for all customer and interdealer sales transactions. Consistent with the Board's stated approach to monitor and manage organizational reserve levels, the Board temporarily reduced the rate of assessment for municipal securities dealers' technology fees related to market activity during the third and fourth quarters of fiscal year 2021 extending until September 30, 2022 to \$0.60 per municipal security trade.

The performance obligation associated with technology fees is satisfied as sales transactions are settled at which time revenue is recognized.

Data Subscriber Fees — For a fee, the MSRB provides access to MSRB subscription services that collect, store and provide information pertaining to the municipal securities market. The MSRB Primary Market Disclosure subscription service includes official statements, advance refunding documents and related data. The MSRB Continuing Disclosure subscription service includes continuing disclosure documents and related data from municipal securities issuers, obligated persons and their agents. The Real Time Transaction Reporting subscription service covers data on all municipal securities transactions for purposes of price transparency and surveillance. Finally, the Short-term Obligation Rate Transparency subscription service covers short-term obligation rate reset data and related documents.

Information processed by these systems is sold to subscribers on an annual basis and the performance obligations associated with these data subscriptions are satisfied over-time as services are rendered with revenue recognized straight-line over the period of service. In addition, the MSRB sells annual historical data sets from these systems, with the fee billed and recognized at the time of purchase.

Municipal Advisor Professional Fees — Each municipal advisor that is registered with both the SEC and the MSRB is required to pay an annual per professional fee of \$1,000 for fiscal years 2022 and 2021 per Rule A-11.

The performance obligation associated with municipal advisor professional fees is satisfied when the number of associated persons for whom the firm has filed a Form MA-1 with the Securities and Exchange Commission (SEC) as of January 31 is confirmed and billed in April at which time revenue is recognized.

529 Plan Underwriting Fees — Underwriters to 529 savings plans must pay an annual fee of \$.005 per \$1,000 of the total aggregate plan assets as of December 31 of each year as reported on MSRB Form G-45, and as required to be paid per Rule A-13.

The performance obligation associated with 529 plan underwriting fees is satisfied when the total aggregate plan assets as of December each year are reported on MSRB Form G-45 are processed and billed in May at which time revenue is recognized.

Annual and Initial Fees — With respect to each fiscal year of the MSRB in which a regulated entity conducts business, the regulated entity is required to pay an annual fee of \$1,000 per Rule A-12. Revenue is recognized

when regulated entities are billed annually in October, or when received upon initial registration with the MSRB to conduct business. The initial fee is a one-time fee of \$1,000 which is to be paid by every regulated entity upon registration with the MSRB under Rule A-12. Initial fee revenue is recognized when received.

Rule Violation Fine Revenue — The Dodd-Frank Act provides that fines collected by the SEC for violations of the rules of the MSRB shall be equally divided between the SEC and the MSRB, and that one-third of fines collected by the Financial Industry Regulatory Authority (FINRA) allocable to violations of the rules of the MSRB will be paid to the MSRB, although the portion of such fines payable to the MSRB may be modified at the direction of the SEC upon agreement between the MSRB and FINRA. The performance obligation associated with fine revenue is satisfied when the fines are paid to the SEC or FINRA at which time MSRB's allocable portion is recognized as revenue.

Professional Qualification Examination Fees — Rule A-16 establishes the examination fee on persons taking certain qualification examinations of \$150 per exam. These examinations include the Series 50 (Municipal Advisor Representative Qualification Examination), Series 51 (Municipal Fund Securities Limited Principal Qualification Examination), Series 52 (Municipal Securities Representative Qualification Examination), Series 53 (Municipal Securities Principal Qualification Examination) and Series 54 (Municipal Advisor Principal Qualification Examination).

Professional qualification examination fees are recognized in the month the exams are administered and totaled \$348,300 and \$303,150 for the years ended September 30, 2022 and 2021, respectively. Professional qualification examination fees are included in other income in the accompanying statements of activities.

New fee setting process — On October 1, 2022, the MSRB established a fee setting process that more closely aligns revenue with expenses and better maintains organizational reserves at target levels. This fee setting process applies to the following fees. For the fiscal year 2023, underwriting fees will increase from \$.0275 per \$1,000 of the par value of municipal securities purchased by underwriters from an issuer as part of a new issue to \$.0297 per \$1,000 of the par value. Transaction fees will increase from \$.01 per \$1,000 par value of bonds sold to \$.0107 per \$1,000. Technology fees which effective October 1, 2022, are renamed to trade count fees, will increase from \$1.00 per municipal security trade to \$1.10 per trade. Finally, municipal advisor professional fees will increase from \$1,000 for each municipal advisor registered with the SEC to \$1,060 for each municipal advisor. The new fee structure does not change the performance obligations associated with the fees or the timing of when the fees are recognized.

New Accounting Pronouncements:

The MSRB has adopted Accounting Standards Update (ASU) 2018-15 - Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 250-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The MSRB adopted the standard on October 1, 2021, using the prospective transition approach, under which we apply the guidance to all eligible costs incurred subsequent to adoption and therefore no changes to the previously issued audited financial statements were required.

The MSRB has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606) effective October 1, 2020. Under the new standard, we apply a principles-based five step model to recognize revenue upon the transfer of control of promised goods or services and in an amount that reflects the consideration for which we expect to be entitled. Analysis of various provisions of this standard resulted in no significant changes in the way the MSRB recognizes revenue. The MSRB adopted the standard using the modified retrospective approach and therefore no changes to the previously issued audited financial statements were required. The presentation and disclosures of revenue have been enhanced in accordance with this standard.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the guidance in former Accounting Standards Codification (ASC) (Topic 840) Leases. The most significant change will result in the recognition of lease assets for the right to use the underlying asset, and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. On November 15, 2019, the FASB issued ASU No. 2019-10 delaying the effective date for the new lease accounting standard and in June 2020 the FASB issued ASU No. 2020-05 extending the deferral to entities that have not yet issued their financial statements. The effective date has now been

postponed until the fiscal year ending September 30, 2023. Upon adoption of ASU 2016-02, entities are permitted to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective or full retrospective approach. Management is in the process of evaluating the impact the standard will have on the financial statements and relevant disclosures for the year ending September 30, 2023.

3. INVESTMENTS

Investments as of September 30, 2022 and 2021, consist of the following:

	2022	2021
U.S. Treasury notes	\$ 33,349,227	\$ 41,897,979
Certificates of deposit	9,861,642	14,486,275
Government-guaranteed agency securities	—	1,006,915
Total investments	\$ 43,210,869	\$ 57,391,169

Government-guaranteed agency securities include Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds, government sponsored enterprises fully guaranteed by the U.S. Government.

In September 2014, a letter of credit in the amount of \$130,000 was accepted as a security deposit by the landlord under the terms of the new office lease in Washington, D.C. The MSRB purchased a certificate of deposit for the same amount to collateralize the letter of credit. This holding is included in certificates of deposit and is valued at \$139,375 as of September 30, 2022 and 2021, respectively.

Net investment returns disclosed net of internal direct investment expenses of approximately \$10,400 and \$15,000 in 2022 and 2021, respectively are included in other income in the accompanying statements of activities for the fiscal years ended September 30, 2022 and 2021 and consists of the following:

	2022	2021
Interest and dividends	\$ 658,836	\$ 616,318
Unrealized loss	(1,909,054)	(586,439)
Realized loss	(15,604)	(93)
Total net investment (loss) return	\$ (1,265,822)	\$ 29,786

4. FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments, including cash and cash equivalents not subject to fair value measurements, receivables, accounts payable and accrued expenses, approximate fair value as of September 30, 2022 and 2021 because of the relatively short duration of these instruments.

The MSRB carries certain financial instruments at fair value which we define as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The MSRB is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions.

The degree of judgment used in measuring the fair value of financial instruments generally inversely correlates with the level of observable valuation inputs. The MSRB maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability, and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, and the characteristics specific to the transaction, liquidity and general market conditions.

The MSRB's policy uses the GAAP framework for measuring fair value, which provides a fair value hierarchy based on observable inputs. The hierarchy reflects three levels based on the transparency of inputs as follows:

Level 1 — Fair value measurements that are based on quoted prices (unadjusted) in active markets that the MSRB has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets.

Level 2 — Fair value measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 — Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the MSRB would make assumptions about the inputs a hypothetical market participant would use to value that asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The MSRB considers observable market data to be readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The MSRB's Level 2 investments include U.S. Treasury notes, obligations of U.S. government sponsored enterprises fully guaranteed by the U.S. Government and certificates of deposit.

The MSRB bases the fair value on pricing obtained from the MSRB's investment brokers. The MSRB does not adjust for or apply any additional assumptions or estimates to the pricing information it receives from its brokers. The brokers' pricing is compared to industry standard data providers or current yields available on comparable securities for reasonableness. The MSRB considers this the most reliable information available for the valuation of investments.

Investments were recorded at fair value as of September 30, 2022 and 2021, based on the following levels of hierarchy:

2022		Level 1	Level 2	Level 3	Total	
U.S. Treasury notes	\$	–	\$ 33,349,227	\$	–	\$ 33,349,227
Certificates of deposit		–	9,861,642	–		9,861,642
Total investments	\$	–	\$ 43,210,869	\$	–	\$ 43,210,869

2021		Level 1	Level 2	Level 3	Total	
U.S. Treasury notes	\$	–	\$ 41,897,979	\$	–	\$ 41,897,979
Certificates of deposit		–	14,486,275	–		14,486,275
Government-guaranteed agency securities		–	1,006,915	–		1,006,915
Total investments	\$	–	\$ 57,391,169	\$	–	\$ 57,391,169

5. ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2022 and 2021 consist of the following:

	2022	2021
Billed accounts receivable	\$ 2,651,605	\$ 3,112,010
Unbilled accounts receivable	1,593,601	990,236
	4,245,206	4,102,246
Less allowance for doubtful accounts	(149,717)	(253,452)
Total accounts receivable — net	\$ 4,095,489	\$ 3,848,794

Unbilled receivables at September 30, 2022 and 2021 consist primarily of September transaction and technology fees revenue billed in early November.

6. PREPAID AND OTHER ASSETS

Prepaid and other assets as of September 30, 2022 and 2021 consist of the following:

	2022	2021
Prepaid assets	\$ 1,691,866	\$ 1,556,443
Deposits	81,738	106,685
Total prepaid and other assets	\$ 1,773,604	\$ 1,663,128

7. FIXED ASSETS

Fixed assets as of September 30, 2022 and 2021 consist of the following:

	2022	2021
Capitalized software costs	\$ 44,346,607	\$ 38,506,467
Leasehold improvements	4,384,685	4,015,688
Computer and office equipment	2,146,808	1,895,060
Furniture and fixtures	1,705,229	1,711,672
Total fixed asset acquisition costs	52,583,329	46,128,887
Less accumulated depreciation and amortization:		
Capitalized software costs	(32,345,860)	(30,537,776)
Leasehold improvements	(1,969,320)	(1,662,373)
Computer and office equipment	(1,773,965)	(1,632,952)
Furniture and fixtures	(1,509,547)	(1,705,780)
Total fixed asset accumulated depreciation and amortization	(37,598,692)	(35,538,881)
Total fixed assets — net	\$ 14,984,637	\$ 10,590,006

Depreciation expense and amortization expense during fiscal years 2022 and 2021 are as follows:

	2022	2021
Depreciation expense	\$ 162,264	\$ 136,505
Amortization expense for capitalized software cost and leasehold improvements	3,520,673	3,036,727
Total depreciation and amortization expense	\$ 3,682,937	\$ 3,173,232

Impairment of long-lived assets — Through regular review of long-lived assets, in fiscal years 2022 and 2021 no estimated impairment loss was recognized.

Leasehold improvements — In conjunction with the Washington, D.C. office lease, the landlord provided up to \$4.4 million in landlord incentives, of which \$4.03 million funded leasehold improvements and \$323,000 offset future rent payments. Included in fiscal year ended September 30, 2022 and 2021 leasehold improvements, is approximately \$42,000 and \$31,000, respectively, of work-in-process costs for improvements not yet implemented.

Capitalized software costs — For the fiscal years ended September 30, 2022 and 2021, \$6.2 million and \$3.4 million, respectively, of internally developed work-in-process costs for software not yet implemented are included in capitalized software costs.

Capital leased equipment — Included in fiscal year 2022 Furniture and fixtures is the capitalized lease of a postage meter with a cost of \$4,536 and recognized depreciation expense of \$864 in fiscal year ended September 30, 2022 and 2021. See Note 9 for a schedule of future minimum lease payments under this non-cancelable capital lease.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2022 and 2021 consist of the following:

	2022	2021
Accounts payable and accrued expenses	\$ 2,626,301	\$ 1,752,917
Salaries, taxes and benefits payable	2,180,334	2,071,097
Total accounts payable and accrued liabilities	\$ 4,806,635	\$ 3,824,014

9. COMMITMENTS AND CONTINGENCIES

Operating Leases — The MSRB leases office space under operating lease arrangements. The MSRB moved to new office space in Washington, D.C. in December 2015 and the lease will expire in fiscal year 2031.

The D.C. lease contains an escalation clause based on increases in rent and building operating costs. Rent expense is recognized on a straight-line basis over the term of the respective lease and is credited or charged to deferred rent as appropriate, which is included in liabilities in the accompanying statements of financial position. Total rent expense for operating leases for the fiscal years ended September 30, 2022 and 2021 was \$2,237,527 and \$2,322,566, respectively.

Beginning fiscal year 2019 and completing in fiscal year 2020, the MSRB undertook an enterprise-wide migration of MSRB's systems to the cloud allowing for the closure of two of three data centers during fiscal year 2020 and the closure of the third in early fiscal year 2021. We account for our cloud computing arrangement as a service contract and expense applicable costs as incurred. As our hosting arrangement does not give us the contractual right to the software at any time during the hosting period without penalty, we are not deemed to have a software license. Under the new cloud-based agreement for website hosting, business continuity and disaster recovery, the MSRB paid \$2,480,379 and \$1,908,415 during fiscal years ended September 30, 2022 and 2021, respectively.

Future minimum lease payments under the non-cancelable office operating lease are as follows:

Years Ending September 30	
2023	\$ 1,825,677
2024	1,871,348
2025	1,918,185
2026	1,966,188
2027	2,015,358
2028 and beyond	7,452,159
Total minimum operating lease payments	\$ 17,048,915

Future minimum lease payments under the non-cancelable capital lease are as follows:

Years Ending September 30	
2023	\$ 1,164
2024	1,164
2025	1,164
2026	97
2027	–
2028 and beyond	–
Total minimum capital lease payments	\$ 3,589

10. RETIREMENT PLAN

The MSRB has a defined contribution retirement plan for all employees. Participation commences upon date of hire as described in the plan document. For all active participants employed on the first day of the calendar quarter, the MSRB makes a quarterly contribution as required by the plan document. The contribution percentage ranges from 7% to 9% depending on the length of service as set forth in the plan document.

Each employee is fully vested upon being credited with three plan years of service. Employees may also make voluntary contributions to the plan. The MSRB made contributions to the plan totaling \$1,377,600 and \$1,250,071 for the years ended September 30, 2022 and 2021, respectively.

All administrative expenses of the plan are paid by the MSRB. Administrative expenses total \$5,100 and \$1,168 for the years ended September 30, 2022 and 2021, respectively.

11. INCOME TAXES

The MSRB is exempt from federal and state taxes on income (other than unrelated business income) under Section 501(c)(6) of the Internal Revenue Code (IRC) and applicable income tax regulations of the Commonwealth of Virginia and District of Columbia. The MSRB files an annual informational tax form, Form 990, with the Internal Revenue Service.

The MSRB addresses uncertain tax positions in accordance with ASC Topic 740, Income Taxes, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. During the years from 2019 to 2022, which represent the years management considers to be open for examination by taxing authorities, management did not identify the existence of any uncertain tax position.

12. AVAILABILITY OF RESOURCES AND LIQUIDITY

The following represents MSRB's financial assets at September 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 3,874,774	\$ 4,846,344
Investments	43,210,869	57,391,169
Accounts receivable — net	4,095,489	3,848,794
Accrued interest receivable	143,608	191,678
Total financial assets	51,324,740	66,277,985
Less amounts not available to be used within one year:		
Certificate of deposit held as collateral for lease letter of credit	139,375	139,375
Board designated net assets	9,123,285	14,842,395
	9,262,660	14,981,770
Financial assets available to meet general expenditures over the next twelve months	\$ 42,062,080	\$ 51,296,215

Organizational reserves are maintained to ensure the MSRB has appropriate resources to support mission objectives, respond to regulatory requirements and pursue opportunities, to enable the organization to be fiscally prepared regardless of economic conditions, to provide the MSRB with the requisite level of liquidity to fund ongoing operations, and to ensure the long-term financial sustainability of the organization. The MSRB determines the target for organizational reserves by conducting a detailed and comprehensive analysis of the liquidity needs in four categories: Working Capital, Risk Reserves, Strategic Investment Reserves and Regulatory Reserves.

Certain funding priorities exist based on MSRB's responsibilities as an SRO. These priorities include:

- funding to maintain modern and informed regulation of dealers and municipal advisors that reflects current market practices and protects investors, issuers and the public interest, including by conducting economic analysis, establishing and maintaining a professional qualifications program, and providing coordination and support to the regulatory authorities that examine compliance with and enforce MSRB rules;
- funding to establish, maintain, and enhance information systems for the municipal securities market and provide market transparency for issuers, institutions, and the investing public, including transaction-related data and documents and data related to bond issuances;
- funding to provide high quality market data to enable comprehensive analysis of the municipal securities market, including developing data products and services that provide value for investors, issuers and all market participants to strengthen market efficiency and fairness;
- funding to ensure the MSRB fulfills its obligation to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest, including by fostering dialog and working collaboratively with all market participants and the broader community we serve;
- funding for stakeholder engagement activities and education, including receiving information from municipal market participants and other stakeholders to provide input that informs the rulemaking process, as well as ensuring that these stakeholders are aware of regulatory developments that may affect them and are educated on the MSRB rules;
- funding to support the internal administrative functions of the MSRB and to administer the activities of the Board and its committees; and
- funding sufficient to maintain a prudent level of liquid reserves, taking into consideration a range of reasonably foreseeable market conditions and expected expenditures over a three-year time horizon.

As discussed in note 13, certain unrestricted net assets have been designated by the Board for specific strategic objectives. These assets are restricted to use by self-imposed limits by action of the Board and are not available for general expenditures. The Board designation can be changed by the Board and the net assets can be made available for general expenditures.

13. BOARD DESIGNATED NET ASSETS

In July 2020, in conjunction with the fiscal year 2021 budget recommendation, the Board approved a \$10 million designation of undesignated net assets to fund a multi-year strategic investment to modernize its market transparency systems to leverage the power of the cloud. In July 2021, the Board approved an additional \$7.5 million to increase this designation and provide sufficient funds to cover the planned spend of systems modernization initiatives.

In July 2018, the Board approved a \$5 million designation of undesignated net assets for exploration of and the now approved transition to the cloud. In July 2019, the Board approved an additional \$3.5 million to increase the cloud designation to provide sufficient funds to cover the planned migration spend. Finally, in July 2021, the Board approved the return of the remaining unspent designated cloud fund to undesignated net assets.

	2022	2021
Designated, systems modernization fund — balance beginning of year	\$ 14,842,395	\$ 10,000,000
Board designation	–	7,500,000
Systems modernization spend	(5,719,110)	(2,657,605)
Designated, systems modernization fund	9,123,285	14,842,395
Designated, cloud fund — balance beginning of year	–	1,152,080
Cloud migration spend	–	(548,629)
Undesignated cloud fund balances	–	(603,451)
Designated, cloud fund	–	–
Total Board designated net assets	\$ 9,123,285	\$ 14,842,395

14. DATA SUBSCRIPTION CONTRACT LIABILITIES

Data subscription contract liabilities relate to payments received in advance of the satisfaction of performance under the data subscription contract. We receive payments from data subscribers based upon the terms established in our contracts.

The following table provides information about significant changes in the data subscription contracts paid in advance at September 30, 2022 and 2021.

	2022	2021
Data subscription fees paid in advance, beginning of year	\$ 214,700	\$ 214,705
Revenue recognized that was included in data subscription contract liabilities at the beginning of the year	(214,700)	(214,705)
Increase in data subscription contract liabilities due to cash received during the period	290,847	214,700
Data subscription fees paid in advance, end of the year	\$ 290,847	214,700

15. SUBSEQUENT EVENTS

The MSRB evaluated its September 30, 2022 financial statements for subsequent events through December 22, 2022, the date the financial statements were available to be issued. The MSRB is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

ABOUT THE MSRB

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. The MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. The MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.



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