



Financial Statements:
Municipal Liquidity Facility LLC

A Limited Liability Company Consolidated by the Federal Reserve Bank of New York

As of and for the Years Ended December 31, 2022,
and December 31, 2021 and Independent Auditors'
Report

Municipal Liquidity Facility LLC

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Report of Independent Registered Public Accounting Firm

To the Managing Member of
Municipal Liquidity Facility LLC:

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of Municipal Liquidity Facility LLC (a Limited Liability Company consolidated by the Federal Reserve Bank of New York) (the “LLC”) as of December 31, 2022 and 2021, the related statements of operations, changes in members’ equity, and cash flows for the years then ended and the related notes (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the LLC’s management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

KPMG LLP

We have served as the LLC’s auditor since 2020.

New York, New York
March 14, 2023

Municipal Liquidity Facility LLC

Abbreviations

ASC	Accounting Standards Codification
FASB	Financial Accounting Standards Board
FRBNY	Federal Reserve Bank of New York
GAAP	Accounting principles generally accepted in the United States of America
LLC	Limited liability company
MLF	Municipal Liquidity Facility LLC

Municipal Liquidity Facility LLC

Statements of Financial Condition

As of December 31, 2022 and 2021

(Amounts in thousands)

		<u>2022</u>	<u>2021</u>
<u>ASSETS</u>			
Cash and cash equivalents	Note 3	\$ 101,293	\$ 1,003
Restricted cash and cash equivalents			
Cash deposit		436,092	634,163
Short-term investments in non-marketable securities	Note 3	2,482,384	3,593,750
Short-term investments, at fair value (amortized cost of \$0 and \$58,749 as of December 31, 2022 and December 31, 2021, respectively)	Note 3	-	58,738
Municipal notes, at amortized cost	Note 3	2,907,280	4,131,090
Interest receivable		78,840	79,358
Total assets		<u>\$ 6,005,889</u>	<u>\$ 8,498,102</u>
<u>LIABILITIES AND MEMBERS' EQUITY</u>			
Liabilities:			
Loans payable to FRBNY	Note 5	\$ 2,907,280	\$ 4,131,090
Interest payable	Note 5	5,926	4,430
Origination fees deferred revenue		926	2,643
Other liabilities		160	158
Total liabilities		<u>2,914,292</u>	<u>4,138,321</u>
Members' equity	Note 6	<u>3,091,597</u>	<u>4,359,781</u>
Total liabilities and members' equity		<u>\$ 6,005,889</u>	<u>\$ 8,498,102</u>

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

Municipal Liquidity Facility LLC

Statements of Operations

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		<u>2022</u>	<u>2021</u>
<u>INCOME</u>			
Interest income	Note 4	\$ 83,031	\$ 108,575
Origination fees		1,718	2,986
Unrealized gains on cash equivalents		10	-
Unrealized gains (losses) on short-term investments		11	(11)
Total operating income		<u>84,770</u>	<u>111,550</u>
<u>EXPENSES</u>			
Loans interest expense	Note 5	3,069	5,171
Professional fees		570	827
Total operating expense		<u>3,639</u>	<u>5,998</u>
Net operating income	Note 6	<u>\$ 81,131</u>	<u>\$ 105,552</u>

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

Municipal Liquidity Facility LLC

Statements of Changes in Members' Equity

For the years ended December 31, 2022 and 2021

(Amounts in thousands)

		Members' contributed equity	Undistributed net operating income	Total members' equity
Members' equity, December 31, 2020		\$ 17,500,000	\$ 34,370	\$ 17,534,370
Members' (distributions)	Note 6	(13,280,141)	-	(13,280,141)
Undistributed net operating income	Note 6	-	105,552	105,552
Members' equity, December 31, 2021		\$ 4,219,859	\$ 139,922	\$ 4,359,781
Members' (distributions)	Note 6	(1,349,315)	-	(1,349,315)
Undistributed net operating income	Note 6	-	81,131	81,131
Members' equity, December 31, 2022		\$ 2,870,544	\$ 221,053	\$ 3,091,597

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

Municipal Liquidity Facility LLC

Statements of Cash Flows

For the years ended December 31, 2022 and 2021
(Amounts in thousands)

		<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Net operating income	Note 6	\$ 81,131	\$ 105,552
Adjustment to reconcile net operating income to net cash provided by (used in) operating activities:			
Decrease (increase) in interest receivable		518	(53,419)
Increase in interest payable		1,496	3,510
(Decrease) in origination fees deferred revenue		(1,717)	(2,987)
Increase (decrease) in other liabilities		2	(391)
Amortization of discounts on short-term investments		(30)	(17)
Unrealized (gains) losses on short-term investments		(11)	11
Cash provided by operating activities		<u>81,389</u>	<u>52,259</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Payments for purchases of short-term investments		(28,046)	(74,214)
Proceeds from maturities of short-term investments		86,825	21,660
Proceeds from principal payments on municipal notes	Note 3	1,223,810	2,151,910
Cash provided by investing activities		<u>1,282,589</u>	<u>2,099,356</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Repayment of contributed capital	Note 6	(1,349,315)	(13,280,141)
Repayment of loans payable to FRBNY	Note 5	(1,223,810)	(2,230,330)
Cash used in financing activities		<u>(2,573,125)</u>	<u>(15,510,471)</u>
Net change in cash and cash equivalents, restricted cash and cash equivalents		(1,209,147)	(13,358,856)
Beginning cash and cash equivalents, restricted cash and cash equivalents		4,228,916	17,587,772
Ending cash and cash equivalents, restricted cash and cash equivalents		<u>\$ 3,019,769</u>	<u>\$ 4,228,916</u>
<u>SUPPLEMENTAL CASH FLOW DISCLOSURE</u>			
Cash paid for interest		<u>\$ 1,573</u>	<u>\$ 1,661</u>

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

Municipal Liquidity Facility LLC

Notes to Financial Statements

(1) ORGANIZATION, NATURE OF BUSINESS, AND FINANCING

In accordance with section 13(3) of the Federal Reserve Act and with prior approval from the Secretary of the Treasury, the Board of Governors of the Federal Reserve System authorized the Federal Reserve Bank of New York (FRBNY) to establish the Municipal Liquidity Facility (Facility) to help state and local governments better manage cash flow pressures they were facing as a result of the increase in state and local government expenditures related to the COVID-19 pandemic and the delay and decrease of certain tax and other revenues. The Facility supported lending to U.S. states, the District of Columbia, U.S. counties with a population of more than 500,000 residents, U.S. cities with a population of more than 250,000 residents, certain multi-state entities, and designated revenue bond issuers. The authorization to purchase eligible notes through the Facility expired on December 31, 2020.

Municipal Liquidity Facility LLC (MLF) is a Delaware limited liability company (LLC) formed in connection with the implementation of the Facility on May 1, 2020. MLF has two members: FRBNY, which is MLF's managing member, and the U.S. Department of the Treasury (Treasury), which is the preferred equity member. The managing member has the exclusive rights to manage MLF. The preferred equity member contributed capital to MLF using funds from the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act.

MLF's LLC agreement was amended in November 2021 to include additional provisions for bi-annual distributions of capital to the Treasury each year until MLF is terminated. The distributions of capital are described in more detail in Note 6.

FRBNY also serves as the lender to MLF. FRBNY extended \$6.6 billion in loans to MLF, to enable MLF to purchase municipal notes from eligible issuers during the period May 26, 2020, to December 31, 2020. The loans made by FRBNY are with full recourse to MLF and secured by all assets of MLF. MLF records a liability in the Statements of Financial Condition when FRBNY funds the loans. Interest on the loans is paid on the maturity date or upon prepayment of the loans.

MLF was authorized to purchase eligible municipal notes which were tax anticipation notes, tax and revenue anticipation notes, bond anticipation notes, revenue anticipation notes, and other similar short-term notes issued by eligible issuers, provided that such notes matured no later than 36 months from the date of issuance. In each case, a note's eligibility was subject to review by FRBNY. Eligible issuers were states, cities, counties, multi-state entities, or designated revenue bond issuers. To use the MLF, each eligible issuer was required to pay an origination fee equal to 10 basis points of the principal amount of the eligible notes purchased by MLF.

All available cash receipts of MLF are used to pay its obligations as described in Note 5. Distributions of residual proceeds to the members will occur after all MLF loans from FRBNY are repaid in full. During the life of MLF, undistributed net residual income or loss is reported as "Undistributed net operating income" in the Statements of Changes in Members' Equity. MLF invests cash receipts from origination fees and investment earnings in short-term assets in the following categories: Treasury securities, government money market funds, and dollar-denominated overnight deposits.

Various service providers for setup, legal, administrative, accounting, custodial, and compliance services were engaged to provide services for MLF. The Bank of New York Mellon provides administrative and custodial services to MLF. BLX Group LLC provided administrative agent services to MLF from program inception through November 30, 2022, at which time FRBNY assumed administrative agent responsibilities. MLF does not have any employees and therefore does not bear any employee-related costs.

Municipal Liquidity Facility LLC

Notes to Financial Statements

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP), which require the managing member to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expense during the reporting period. Significant items subject to such estimates and assumptions include the fair value of the investments. Actual results could differ from those estimates.

Significant accounts and accounting policies are explained below.

a. Cash and Cash Equivalents, Restricted Cash and Cash Equivalents

MLF defines investments in money market funds and other highly liquid investments with original maturities of three months or less, when acquired, as cash equivalents. Money market funds are carried at fair value based on quoted prices in active markets.

In accordance with the terms of the Investment Memorandum of Understanding for the MLF approximately 85 percent of the Treasury's initial equity contribution was invested in overnight non-marketable securities issued by the Treasury to MLF. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 230-10 *Statement of Cash Flows*, these investments are reported as restricted cash and cash equivalents as there are contractual limitations and restrictions on the use of the funds and ability to withdraw the funds. The investments in overnight non-marketable Treasury securities are recorded at amortized cost and shown as "Restricted cash and cash equivalents: Short-term investments in non-marketable securities" in the Statements of Financial Condition. The remaining Treasury equity contribution in MLF is held in cash as a deposit at FRBNY, to support the liquidity needs of MLF and is reported as "Restricted cash and cash equivalents: Cash deposit" in the Statements of Financial Condition and is included in "Net change in cash and cash equivalents, restricted cash and cash equivalents" in the Statements of Cash Flows.

b. Investments

Short-Term Investments

Debt securities with original maturities greater than three months, when acquired, are designated as trading securities under FASB ASC 320 *Investments - Debt and Equity Securities*. MLF's short-term investments are composed of Treasury bills that mature within one year. Any securities held for these short-term investments are categorized as trading securities and are reported as "Short-term investments, at fair value" in the Statements of Financial Condition. Trading securities are recorded at fair value in accordance with FASB ASC 820 *Fair Value Measurements & Disclosures*. Interest income, which includes the accretion of discounts, is recorded when earned and is reported as "Interest income" in the Statements of Operations.

Fixed Income

Municipal notes held by MLF are designated as held-to-maturity under FASB ASC 320 *Investments - Debt and Equity Securities*. MLF has both the positive intent and the ability to hold the securities to maturity; therefore, the municipal notes are recorded at amortized cost.

Municipal Liquidity Facility LLC

Notes to Financial Statements

c. Credit Impairment

MLF's municipal note investments are subject to review each reporting period to identify and evaluate investments that have indications of possible credit impairment in accordance with FASB ASC 320 *Investments - Debt and Equity Securities*. Impairment is evaluated using numerous factors including collectability, liquidity and credit support, collateral, and the financial condition and near-term prospects of the issuer. If, after analyzing the above factors, it is determined that an investment is impaired and that the impairment is other-than-temporary, the amortized cost of the individual security is written down to estimated fair value and a realized loss is recorded. To determine whether impairment is other-than-temporary, it's considered whether it is probable that MLF will be unable to collect substantially all of the contractual interest and principal payments on the investment on the maturity date of the municipal note. As of December 31, 2022 and 2021, there were no municipal notes for which impairment was considered to be other-than-temporary.

d. Interest Income

MLF recognizes interest income on municipal notes on an effective interest basis, based on the contractual rate of the municipal note. Interest income recognition ceases when the municipal notes mature or are repaid by the eligible issuer. Interest income on short-term investments in non-marketable securities is recorded when earned and is received daily based on an overnight rate established by the Treasury's Bureau of Fiscal Service.

e. Origination Fees

Eligible issuers pay an origination fee equal to 10 basis points of the principal amount of the eligible notes purchased by MLF. In accordance with ASC 310-20, *Receivables - Nonrefundable Fees and Other Costs*, the origination fees are deferred and amortized over the term of the note. The origination fees are amortized using the effective interest method and are reported as "Origination fees deferred revenue" in the Statements of Financial Condition and as "Origination fees" in the Statements of Operations.

f. Professional Fees

Professional fees consist primarily of fees charged by MLF's attorneys, consultants, investment manager, administrative agent, custodian, and independent auditors. Professional fees are reported as "Professional fees" in the Statements of Operations.

g. Taxes

MLF was formed by FRBNY and the Treasury. It is not subject to an entity level income tax. Accordingly, no provision for income taxes is made in the financial statements.

Municipal Liquidity Facility LLC

Notes to Financial Statements

h. Fair Value Measurements

Certain assets of MLF are measured at fair value in accordance with FASB ASC 820 *Fair Value Measurement & Disclosures*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 *Fair Value Measurement & Disclosures* establishes a three-level fair value hierarchy that distinguishes between assumptions developed using market data obtained from independent sources (observable inputs) and assumptions developed using the best information available in the circumstances (unobservable inputs). The three levels established by FASB ASC 820 *Fair Value Measurement & Disclosures* are described as follows:

- Level 1 – Valuation is based on quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

The inputs or methodologies used for valuing the financial instruments are not necessarily an indication of the risk associated with investing in those financial instruments.

i. Recently Issued Accounting Standards

The following items represent recent GAAP accounting standards.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, amended in subsequent related ASUs. ASU 2016-13 introduces the Current Expected Credit Losses (CECL) methodology which replaced the previous GAAP method of calculating credit losses. While the prior methodology required incurred losses to be probable before they were recognized, ASU 2016-13 requires the use of a lifetime expected loss methodology, which requires earlier recognition of credit losses on financial assets measured at amortized cost. The new standard modifies the methodology for measuring credit losses by incorporating future forecast assumptions while it does not change the determined credit risk on the underlying financial assets. MLF adopted this standard using the modified retrospective method to report results under ASU 2016-13 for reporting periods after January 1, 2023. The adoption of this standard is not expected to have a material effect on MLF's financial statements.

Municipal Liquidity Facility LLC

Notes to Financial Statements

(3) FACILITY ASSETS

At December 31, 2022 and 2021, the maturity distribution of MLF holdings, which are recorded at fair value for cash equivalents and short-term investments, and amortized cost for short-term investments in non-marketable securities and municipal notes in the Statements of Financial Condition, are as follows (in thousands):

	2022				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
Cash equivalents ¹	\$ 995	\$ 100,298	\$ -	\$ -	\$ 101,293
Short-term investments in non-marketable securities	2,482,384	-	-	-	2,482,384
Municipal notes	-	-	2,907,280	-	2,907,280
Total	\$ 2,483,379	\$ 100,298	\$ 2,907,280	\$ -	\$ 5,490,957

	2021				
	Within 15 days	16 days to 90 days	91 days to 1 year	Over 1 year to 5 years	Total
Cash equivalents ¹	\$ 1,003	\$ -	\$ -	\$ -	\$ 1,003
Short-term investments in non-marketable securities	3,593,750	-	-	-	3,593,750
Short-term investments	-	-	58,738	-	58,738
Municipal notes	-	482,090	-	3,649,000	4,131,090
Total	\$ 3,594,753	\$ 482,090	\$ 58,738	\$ 3,649,000	\$ 7,784,581

¹Cash equivalents are a component of “Cash and cash equivalents” reported in the Statements of Financial Condition.

MLF’s cash equivalents and short-term investments are valued on the basis of the last available bid prices or current market quotations provided by pricing services. To determine the value of a particular investment, pricing services may use information on transactions in such investments, quotations from dealers, pricing metrics, market transactions in comparable investments, relationships observed in the market between investments, and calculated yield measures based on valuation methodologies commonly employed in the market for such investments.

The following table presents the financial instruments recorded at fair value as of December 31, 2022 and 2021 by the FASB ASC 820 *Fair Value Measurements & Disclosures* hierarchy (in thousands):

	2022			
	Level 1	Level 2	Level 3	Total ¹
Cash equivalents ²	\$ 995	\$ 100,298	\$ -	\$ 101,293

	2021			
	Level 1	Level 2	Level 3	Total ¹
Cash equivalents ²	\$ 1,003	\$ -	\$ -	\$ 1,003
Short-term investments	-	58,738	-	58,738
Total investments at fair value	\$ 1,003	\$ 58,738	\$ -	\$ 59,741

¹ There were no transfers between Levels during the years ended December 31, 2021 and 2022 respectively.

² Cash equivalents are a component of “Cash and cash equivalents” reported in the Statements of Financial Condition.

Municipal Liquidity Facility LLC

Notes to Financial Statements

The fair value of MLF's holdings is subject to both market and credit risk, arising from movements in variables such as interest rates and credit spreads and the credit quality of holdings. Based on evaluations performed as of December 31, 2022 and 2021, there are no credit impairments of MLF's holdings.

The following table presents the amortized cost, unrealized gains (losses), and fair value of MLF's holdings as of December 31, 2022 and 2021, which are reported at fair value in the Statements of Financial Condition (in thousands). Amortized cost is provided as supplemental information.

	2022			
	Amortized cost	Cumulative		Fair value
		unrealized gains ¹	unrealized losses ¹	
Cash equivalents	\$ 101,283	\$ 10	\$ -	\$ 101,293

	2021			
	Amortized cost	Cumulative		Fair value
		unrealized gains ¹	unrealized losses ¹	
Short-term investments	\$ 58,749	\$ -	\$ (11)	\$ 58,738

¹ Cumulative unrealized gains (losses) are reported in the Statements of Operations.

Due to the short-term nature of cash equivalents as of December 31, 2021, there is no material difference between cost and fair value.

The following table presents the amortized cost, cumulative unrealized gains (losses), and fair value of MLF's municipal note holdings as of December 31, 2022 and 2021, which are reported at amortized cost in the Statements of Financial Condition (in thousands). Fair value is provided as supplemental information.

	2022			
	Amortized cost	Cumulative		Fair value
		unrealized gains ¹	unrealized losses ¹	
Municipal notes	\$ 2,907,280	\$ -	\$ (41,017)	\$ 2,866,263

	2021			
	Amortized cost	Cumulative		Fair value
		unrealized gains ¹	unrealized losses ¹	
Municipal notes	\$ 4,131,090	\$ 83,103	\$ -	\$ 4,214,193

¹ Because municipal notes are recorded at amortized cost, the changes in cumulative unrealized gains (losses) are not reported in the Statements of Operations.

Due to the short-term nature of short-term investments in non-marketable securities, there is no material difference between cost and fair value as of December 31, 2022 and 2021.

(4) RISK PROFILE

As of December 31, 2022, MLF's portfolio consisted primarily of cash equivalents, short-term investments in non-marketable securities, and municipal notes. MLF's investments contain varying levels of credit, interest rate, general market, and concentration risk. The following is a description of the significant holdings as of December 31, 2022 and the associated risk for each holding.

Municipal Liquidity Facility LLC

Notes to Financial Statements

Cash equivalents and short-term investments

As of December 31, 2022, cash equivalents are composed of approximately \$2.5 billion of short-term investments in non-marketable securities and approximately \$101 million of cash equivalents. Interest income earned on the portion of the preferred equity contributions invested in non-marketable securities totaled approximately \$40 million and is reported as a component of “Interest income” in the Statements of Operations.

Municipal notes investments

Credit-related risk on municipal securities arises from losses due to an inability of a particular issuer to repay its debt. As of December 31, 2022, MLF’s remaining portfolio is highly concentrated, consisting of one municipal note issued by a transportation authority. Primary factors affecting the transportation authority’s ability to service its remaining debt to the MLF include payroll receipts in the metropolitan area in which the authority is located, as well as the general economic condition of the service area, ridership levels, the authority’s own financial condition, and level of political and financial support from the city, state and/or federal government.

MLF’s portfolio is subject to changes in general municipal market conditions. The outstanding note may be repaid from proceeds of future bond issuances, or take-out bonds, and lack of market access would greatly increase risk of non-payment. In addition, deteriorating market conditions may make it more costly, or not possible, for issuers to raise liquidity or fund necessary capital projects.

At December 31, 2022 and 2021 the ratings breakdown of MLF holdings, which are recorded at fair value for cash equivalents and amortized cost for short-term investments in non-marketable securities and municipal notes was as follows (in thousands):

	2022			
	BBB+ to BBB-	Government/ agency ¹	Not rated ²	Total
Cash equivalents ³	\$ -	\$ 101,293	\$ -	\$ 101,293
Short-term investments in non-marketable securities	-	2,482,384	-	2,482,384
Municipal notes	-	-	2,907,280	2,907,280
Total	<u>\$ -</u>	<u>\$ 2,583,677</u>	<u>\$ 2,907,280</u>	<u>\$ 5,490,957</u>

	2021			
	BBB+ to BBB-	Government/ agency ¹	Not rated ²	Total
Cash equivalents ³	\$ -	\$ 1,003	\$ -	\$ 1,003
Short-term investments in non-marketable securities	-	3,593,750	-	3,593,750
Short-term investments	-	58,738	-	58,738
Municipal notes	1,223,810	-	2,907,280	4,131,090
Total	<u>\$ 1,223,810</u>	<u>\$ 3,653,491</u>	<u>\$ 2,907,280</u>	<u>\$ 7,784,581</u>

¹ Government agency includes securities and securities whose underlying cash and investments are guaranteed or issued by the U.S. Government.

² Not rated categorization includes municipal notes with private ratings.

³ Cash equivalents are composed of money market funds with underlying investments of cash and securities issued or guaranteed by the U.S. Government. Cash equivalents are a component of “Cash and cash equivalents” reported in the Statements of Financial Condition.

Note: Lowest of all ratings is used for the purpose of this table if rated by two or more nationally recognized statistical rating organizations.

Municipal Liquidity Facility LLC

Notes to Financial Statements

(5) LOANS PAYABLE TO THE FEDERAL RESERVE BANK OF NEW YORK

FRBNY has extended loans to MLF, and the loan proceeds financed MLF's purchase of municipal notes. In addition to loans for the purchase of eligible notes, MLF is permitted to borrow from FRBNY for temporary liquidity needs, but the need to borrow has not occurred.

The assets of MLF are used to secure the loans from FRBNY. These assets include the equity that the Treasury has contributed to MLF to function as credit protection for FRBNY's loans to MLF.

Each loan made by FRBNY to MLF bears interest, accrued daily, at a rate per annum equal to the interest rate on reserve balances in effect on such day. Effective July 29, 2021, the Board of Governors replaced the interest rate on excess reserves and the interest rate on required reserves with a single rate, the interest rate on reserve balances. Repayment of the principal and interest on the loans is made from proceeds of prepayments or payments on maturity of the purchased eligible assets.

MLF's loans payable to FRBNY are reported as "Loans payable to FRBNY" in the Statements of Financial Condition. The related interest payable is reported as "Interest payable" in the Statements of Financial Condition; the amount of interest expense during the period is reported as "Loans interest expense" in the Statements of Operations.

Loans payable to FRBNY as of December 31, 2022 and 2021 are as follows (in thousands):

2022					
Loan type	Loans payable to FRBNY	Interest payable	Interest rate	Maturity date	
Funding	\$ 2,907,280	\$ 5,926	0.10%	December 15, 2023	
2021					
Loan type	Loans payable to FRBNY	Interest payable	Interest rate	Maturity date	
Funding	\$ 450,720	\$ 608	0.10%	August 1, 2023	
Funding	3,680,370	3,822	0.10%	December 15, 2023	
Total	<u>\$ 4,131,090</u>	<u>\$ 4,430</u>			

Municipal Liquidity Facility LLC

Notes to Financial Statements

(6) CONTRIBUTIONS AND DISTRIBUTIONS

The following table presents contributions and distributions of capital and current year undistributed net operating income for the years ended December 31, 2022 and 2021, respectively, (in thousands), which are reported as “Members’ (distributions)” and “Undistributed net operating income,” respectively, in the Statements of Changes in Members’ Equity:

	Managing member	Preferred equity member	Total members
Members' equity, December 31, 2020	\$ 2,759	\$ 17,531,611	\$ 17,534,370
Capital (distribution)	-	(13,280,141)	(13,280,141)
Current year undistributed net operating income	10,427	95,125	105,552
Members' equity, December 31, 2021	\$ 13,186	\$ 4,346,595	\$ 4,359,781
Capital (distribution)	-	(1,349,315)	(1,349,315)
Current year undistributed net operating income	4,125	77,006	81,131
Members' equity, December 31, 2022	\$ 17,311	\$ 3,074,286	\$ 3,091,597

The following table presents cumulative capital contributions and undistributed net operating income as of December 31, 2022 and 2021 (in thousands):

	Managing member	Preferred equity member	Total members
Cumulative capital contributions, net	\$ -	\$ 2,870,544	\$ 2,870,544
Cumulative undistributed net operating income	17,311	203,742	221,053
Members' equity, December 31, 2022	\$ 17,311	\$ 3,074,286	\$ 3,091,597

	Managing member	Preferred equity member	Total members
Cumulative capital contributions, net	\$ -	\$ 4,219,859	\$ 4,219,859
Cumulative undistributed net operating income	13,186	126,736	139,922
Members' equity, December 31, 2021	\$ 13,186	\$ 4,346,595	\$ 4,359,781

a. Contributions and Distributions of Capital

The preferred equity member contributed \$17.5 billion in capital as credit protection to MLF for loans needed to fund purchases of municipal notes or operations of MLF, and the managing member was deemed to have contributed \$10 in capital.

Preferred equity member contributions, less distributions, are held in cash deposits and non-marketable securities, as mutually agreed upon by the managing member and the preferred equity member and consented to by FRBNY. MLF has returned \$1.3 billion and \$13.3 billion of preferred member’s capital contribution in 2022 and 2021, respectively.

Municipal Liquidity Facility LLC

Notes to Financial Statements

b. Undistributed and Distributed Net Operating Income

Amounts available for distribution, due to interest, fees, payments on investments, and other receipts of income are determined on the dates and in the order of priority set forth in the credit agreement between MLF and FRBNY.

Prior to the conclusion of the facility, when all obligations of MLF are repaid, the remaining net assets will be allocated and distributed in accordance with the limited liability company agreement of MLF. That agreement contemplates the distribution upon MLF's liquidation, 1) to Treasury of the preferred equity account balance, inclusive of all investment earnings on non-marketable securities, and 2) 90 percent of the remaining net assets to the Treasury, as the preferred equity member and 10 percent of the remaining net assets to FRBNY as the managing member.

(7) COMMITMENTS AND CONTINGENCIES

MLF agreed to pay the reasonable out-of-pocket costs and expenses of certain service providers incurred in connection with their duties. MLF also generally agreed to indemnify its service providers for certain losses, expenses, and other liabilities under the agreements it has with those service providers, subject to customary exceptions such as for losses caused by the service providers' misconduct. These indemnity obligations survive termination of those agreements. As of December 31, 2022, MLF did not have any prior claims or losses pursuant to these agreements. The risk of loss was deemed remote.

(8) SUBSEQUENT EVENTS

There were no subsequent events that require adjustments to or disclosures in the financial statements as of December 31, 2022.

Subsequent events were evaluated through March 14, 2023, which is the date that these financial statements were available to be issued.