OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

Audit of MCC's Financial Statements for Fiscal Years 2023 and 2022

Audit Report 0-MCC-24-002-C
November 14, 2023

Financial Audits Division

OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

MEMORANDUM

DATE: November 14, 2023

TO: Millennium Challenge Corporation/Department of Administration and Finance, Vice President and Chief Financial Officer, Fouad Saad

FROM: Assistant Inspector General, Office of Audits, Inspections and, Evaluations**,** Toayoa D. Aldridge /s/

SUBJECT: Audit of MCC's Financial Statements for Fiscal Years 2023 and 2022 (0-MCC-24-002-C

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC's) financial statements for fiscal years 2023 and 2022.[1] The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin No. 24-01, Audit Requirements for Federal Financial Statements.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and inquired of its representatives. Our review, which was different from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on MCC's financial statements. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which RMA did not comply, in all material respects, with applicable standards.

The audit objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2023 and 2022, were presented fairly, in all material respects; (2) evaluate MCC's internal controls over financial reporting; and (3) determine whether MCC complied with applicable laws, regulations, contracts, and grant agreements. To answer the audit

[1] Pursuant to the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 5274, which amends the Inspector General Act of 1978, when USAID OIG contracts with an audit firm to perform the work, USAID OIG provides non-governmental organizations and/or business entities specifically identified in the accompanying report, if any, 30 days from the date of report publication to review the final report and submit a written response to USAID OIG that clarifies or provides additional context for each instance within the report in which the non-governmental organization and/or business entity is specifically identified. Any comments received to this effect are posted for public viewing on https://usaid.oig.gov with USAID OIG's final transmittal memorandum. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.

objectives, the audit firm assessed risk, considered internal controls, and designed audit procedures relevant to MCC's fair presentation of its 2023 and 2022 financial statements.

The audit firm concluded that MCC's financial statements for the fiscal years ending September 30, 2023 and 2022, are presented fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America. Further, the audit firm found no reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements. The audit firm did not identify any material weaknesses in internal control over financial reporting but reported one significant deficiency related to a late annual compact audit.

To address the deficiency identified in the report, we recommend that MCC's Department of Administration and Finance and the Chief Financial Officer:

Recommendation 1. Enhance management monitoring processes to ensure Accountable Entities award audit service contracts to meet the compact audit requirement, as updated and documented by MCC and the Accountable Entity.

In finalizing the report, the audit firm evaluated MCC's response to recommendation 1. After reviewing that evaluation, we consider recommendation 1 resolved but open pending completion of planned activities. For recommendation 1, please provide evidence of final action to OIGAuditTracking@usaid.gov.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.

RMA | Associates
Auditors. Consultants. Advisors.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Independent Auditor's Report

The Board of Directors
Millennium Challenge Corporation

The Inspector General
United States Agency for International Development

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Millennium Challenge Corporation (MCC), which comprise the balance sheets as of September 30, 2023 and 2022, and the related statements of net cost, statements of changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements (collectively referred to hereinafter as 'financial statements').

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the MCC as of September 30, 2023 and 2022, and its net cost, changes in net position, and budgetary resources for the years then ended, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for the Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MCC 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.

Other Matter – Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the fiscal year 2023 Annual Management Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-01 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to 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 MCC'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.

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.

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Required Supplementary Information

U.S. generally accepted accounting principles require management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Management Report. The other information comprises the *Table of Contents, Message from the Millennium Challenge Corporation's Chief Executive Officer, Other Information Section,* and *Appendix* but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2023, we considered the MCC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MCC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MCC's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, summarized below and described in the accompanying Exhibit I that we consider to be a significant deficiency. The status of prior year findings can be found in Exhibit III.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MCC's financial statements as of and for the year ended September 30, 2023 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 24-01.

MCC's Response to Audit Findings and Recommendations

MCC's response to our audit findings and recommendations can be found in Exhibit II. MCC's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
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Purpose of the Other Reporting Required by *Government Auditing Standards*

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

RMA Associates

Arlington, VA

November 13, 2023

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

Exhibit I – Significant Deficiency in Internal Control

Late Annual Compact Audit

During a Millennium Challenge Account (MCA) site visit, MCA management could not provide a recent audit report for the prior fiscal year. The MCA audit report for the period April 1, 2021, to March 31, 2022 was due July 29, 2022. As of June 28, 2023 the audit report was eleven months overdue.

The Compact agreement requires the following:

- Except as the Parties may agree otherwise in writing, the Government shall, on at least an annual basis, conduct, or cause to be conducted, financial audits of all disbursements of MCC Funding and the Government Contribution covering the period from signing of this Compact until the earlier of the following March 31 or September 30 and covering each annual period thereafter ending March 31 or September 30, through the end of the Compact Term, as well as the 120-day period following expiration of the Compact Term.
- Each audit must be completed, and the audit report delivered to MCC no later than 90 days after the applicable audit period or the commencement of audit services, whichever is later, or such other period as the Parties may otherwise agree in writing.

The initial contract for audit services was not made until over two years and eight months after the compact signing. Further delays occurred as the option years could not begin until after the final audit report was submitted, reviewed for quality, and approved. MCC did not fully utilize the provisions of the compact, supplemental agreements, or existing procedures to ensure MCA's audits were performed in a timely manner.

Recommendation: We recommend MCC management enhance its monitoring processes to ensure Accountable Entities (AE) award audit service contracts to meet the compact audit requirement, as updated and documented by MCC and the Accountable Entity.

1005 N. Glebe Road, Suite 610
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www.rmafed.com

Exhibit II – MCC's Response to the Audit Findings

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

DATE: November 8, 2023

TO: Toayoa D. Aldridge
Assistant Inspector General, Office of Audits, Inspections, and Evaluations
Office of Inspector General
United States Agency for International Development
Millennium Challenge Corporation

FROM: Fouad P. Saad /s/
Vice President and Chief Financial Officer
Department of Administration and Finance
Millennium Challenge Corporation

SUBJECT: MCC's Management Response to the Draft Audit Report, "Audit of MCC's Financial Statements for Fiscal Years 2023 and 2022," dated November 03, 2023

The Millennium Challenge Corporation (MCC) appreciates the opportunity to respond to the draft report on the Office of Inspector General (OIG)'s audit, "Audit of MCC's Financial Statements for Fiscal Years 2023 and 2022," dated November 03, 2023. MCC concurs with the conclusions of the report and provides a management response, which includes the management decision, to the recommendation below.

OIG Recommendation 1 – Enhance management monitoring processes to ensure Accountable Entities award audit service contracts to meet the compact audit requirement, as updated and documented by MCC and the Accountable Entity.

MCC Response – MCC concurs with the recommendation. MCC will enhance our monitoring processes to ensure that accountable entities follow the audit requirements specified in the grant agreements. This will encompass corrective action to monitor audit timing and provide additional oversight of the audit requirements, including incorporating formal updates to the monitoring process as determined by MCC and the accountable entity. MCC anticipates that final action will be completed no later than June 27, 2024.

1005 N. Glebe Road, Suite 610
Arlington, VA 22201
Phone: (571) 429-6600
www.rmafed.com

If you have any questions or require additional information, please contact Michael Wright at 202-521-3648 or by email at wrightm@mcc.gov. Additionally, you can also contact Jude Koval, Senior Director of Internal Controls and Audit Compliance (ICAC) at 202-521-7280 or by email at kovaljg@mcc.gov.

CC: Damian Wilson, Principal Director, OIG, USAID
Davida Wilhelm, Assistant Audit Director, OIG, USAID
Anna Elias, Assistant Audit Director, Financial Audits Division, OIG, USAID
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC
Lori Giblin, Chief Risk Officer, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC
Jude Koval, Senior Director, ICAC, A&F, MCC
Lisa Patchell, Supervisory Accountant, FMD, A&F, MCC

Exhibit III – Status of Prior Year Recommendations

Fiscal Year	No.	Recommendation	Type	FY 2023 Status
FY22	1	Develop and document MCC's oversight procedures for verification of MCA's physical verification of all fixed assets acquired with MCC funds annually as required by the MCA's Fiscal Accountability Plan	Significant Deficiency	Closed
FY22	2	Obtain the AE's report summarizing the results of the annual physical count, inspection, and reconciliation, including explanations for any discrepancies noted and follow up on any delays.	Significant Deficiency	Closed
FY22	3	Require the AE CFO review the annual report and approve any adjustments necessary to reconcile Fixed Assets Register with the accounting records.	Significant Deficiency	Closed
FY22	4	Develop and document MCC's oversight procedures to ensure the AE's physical count of all Program Fixed Assets is conducted within the required 90 days before the Compact closeout.	Significant Deficiency	Closed
FY22	5	Update the MCC's AE audit process to include additional internal controls and monitoring procedures to ensure that any Covered Providers are identified clearly in each Millennium Challenge Accounts Audit Plan and ensure the Millennium Challenge Accounts Audit Plan provides a detailed schedule for completing the required audits of the identified Covered Providers.	Significant Deficiency	Closed
FY22	6	Update MCC's updated monitoring procedures to ensure that Covered Provider audits are completed prior to program closure, as well as formalizing the evaluation and documentation of approvals of any deviations or extensions arising with respect to Covered Provider audits.	Significant Deficiency	Closed

Financial Section

Financial Statements

The principal financial statements have been prepared to report the financial position and the results of operations of MCC. The financial statements have been prepared from MCC's books and records in accordance with U.S. GAAP and accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB) and formats prescribed in OMB Circular No. A-136, *Financial Reporting Requirements* (revised on May 19, 2023). The financial statements should be read with the understanding that they are for a component of the USG, a sovereign entity. Comparative data for September 30, 2022, has been included. MCC is presenting the following financial statements and notes to the financial statements:

- Balance Sheets
- Statements of Net Cost
- Statements of Changes in Net Position
- Statements of Budgetary Resources
- Notes to the Financial Statements

BALANCE SHEETS
As of September 30, 2023 and September 30, 2022
(in thousands)

	FY 2023	FY 2022 Reclassified
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury *(Note 2)*	$ 5,767,667	$ 5,667,600
Advances and Prepayments	2,157	3,308
Total Intragovernmental Assets	5,769,824	5,670,908
Other than Intragovernmental Assets:		
Accounts Receivable, net *(Note 3)*	0	26
Property, Plant, and Equipment, net *(Note 4)*	2,703	5,641
Advances and Prepayments	68,193	25,866
Total Other than Intragovernmental Assets	70,896	31,533
Total Assets:	**$ 5,840,720**	**$ 5,702,441**
Liabilities *(Note 5)*:		
Intragovernmental Liabilities:		
Accounts Payable	$ 1,243	$ 900
Advances from Others and Deferred Revenue	2,345	3,530
Other Liabilities *(Note 6)*	969	905
Total Intragovernmental Liabilities	4,557	5,335
Other than Intragovernmental Liabilities		
Accounts Payable	11,740	13,002
Federal Employee Benefits Payable *(Note 7)*	5,774	5,218
Other Liabilities:		
Accrued Grant Liabilities *(Note 9)*	121,826	106,452
Other *(Note 6)*	6,379	7,175
Total Other than Intragovernmental Liabilities	145,719	131,847
Total Liabilities	**$ 150,276**	**$ 137,182**
Commitment and Contingencies *(Note 10)*		
Net Position		
Unexpected Appropriations-Funds from Other than Dedicated Collections	$ 5,694,453	$ 5,567,836
Total Unexpended Appropriations	5,694,453	5,567,836
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(4,009)	(2,577)
Total Cumulative Results of Operations	(4,009)	(2,577)
Total Net Position	5,690,444	5,565,259
Total Liabilities and Net Position	**$ 5,840,720**	**$ 5,702,441**

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET COST
For the Years Ended September 30, 2023 and 2022
(in thousands)

	FY 2023	FY 2022
Gross Program Costs	$ 571,789	$ 586,511
Less: Earned Revenue	(1,184)	(470)
Net Program Costs	570,605	586,041
Costs Not Assigned to Programs	138,513	127,696
Net Cost of Operations	**$ 709,118**	**$ 713,737**

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2023 and 2022
(in thousands)

	FY 2023	FY 2022
Unexpended Appropriations		
Beginning Balance	$ 5,567,836	$ 5,878,985
Appropriations Received	930,000	912,000
Other Adjustments *(Note 11)*	(100,000)	(515,000)
Appropriations Used	(703,383)	(708,149)
Change in Unexpended Appropriations	126,617	(311,149)
Total Unexpended Appropriations	**5,694,453**	**5,567,836**
Cumulative Results of Operations		
Beginning Balance	(2,577)	85
Appropriations Used	703,383	708,149
Transfers-in/out Without Reimbursement	-	381
Donations and Forfeitures of Property	44	-
Imputed Financing	4,259	2,545
Net Cost of Operations	**(709,118)**	**(713,737)**
Change in Cumulative Results of Operations	(1,432)	(2,662)
Total Cumulative Results of Operations	**(4,009)**	**(2,577)**
Net Position	**$ 5,690,444**	**$ 5,565,259**

The accompanying notes are an integral part of these statements.

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2023 and 2022
(in thousands)

	FY 2023	FY 2022
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, net *(Note 11)*	$ 3,504,894	$ 3,468,736
Appropriations	830,000	397,000
Spending Authority from Offsetting Collections	-	381
Total Budgetary Resources	**$ 4,334,894**	**$ 3,866,117**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (total)	$ 839,475	$ 433,999
Unobligated Balance, end of year		
Apportioned, Unexpired Accounts	3,461,297	3,428,058
Unapportioned, Unexpired Accounts	34,122	4,060
Unexpired Unobligated Balance, end of year	3,495,419	3,432,118
Unobligated Balance, end of year (total)	3,495,419	3,432,118
Total Budgetary Resources	**$ 4,334,894**	**$ 3,866,117**
Outlays, Net		
Outlays, Net (total)	**$ 729,933**	**$ 691,473**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Millennium Challenge Act of 2003, 22 U.S.C. 7701-7718, established MCC as a wholly owned Government corporation, as defined by the Government Corporation Control Act of 1945. MCC's mission is to reduce poverty through grants by supporting sustainable, transformative economic growth in developing countries that maintain sound policy environments.

MCC is a component entity of the U.S. Government. For this reason, some of the assets and liabilities reported by MCC may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

B. Reporting by Operational Components

The Statement of Net Cost presents the gross costs of programs, less earned revenue, if any, to arrive at the net cost of operations, for both grant programs and MCC, as a whole for the reporting periods. MCC grant programs may be compacts, compact development funding, or threshold programs awarded to countries that come close to meeting the eligibility criteria for compacts.

Grant program costs consist of those activities directly related to activities attributable to:

- Development of compact and threshold grants between MCC and partner country's meeting MCC's eligibility criteria including the cost of evaluating and appraising projects.
- Implementation of grants including performance oversight and assessment of results during the implementation.
- Assessment of results after implementation.

C. Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with U.S. GAAP and accounting standards issued by the FASAB and in the format prescribed by the OMB Circular No. A-136, *Financial Reporting Requirements*, as amended. FASAB is recognized by the AICPA as the official accounting standards-setting body for USG entities. The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of MCC, as required by the CFO Act of 1990, the Government Management Reform Act of 1994, and the Government Corporation Control Act (31 U.S.C. §9106).

MCC's financial statements reflect both the accrual and budgetary basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Amounts received from other federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred. Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of Federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual method of accounting. Note 14 - Reconciliation of Net Costs to Net Outlays presents information that is similar to a statement of cash flows. The Statement of Budgetary Resources is prepared in accordance with budgetary accounting rules.

Intragovernmental transactions are transactions in which only Federal entities are parties to the transaction. MCC has intragovernmental relationships with various Federal entities. Non-intragovernmental transactions are transactions with the public in which one party to the transaction is a Federal entity and the other is a Non-Federal entity.

While the financial statements have been prepared from the books and records of MCC in accordance with the formats prescribed by OMB, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

D. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions, and exercise judgment that affects the reported amounts of assets, liabilities, net position, and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of financing sources, expenses, and obligations incurred during the reporting period. The assumptions made and estimates used by MCC Management to prepare the financial statements are based upon the facts that exist when the statements are prepared, and on various other assumptions that are believed to be reasonable under the circumstances. Changes in estimates are reflected in the period in which they become known. Actual results may differ from those estimates. The Notes to the Financial Statements include information to assist the reader in understanding the effect of changes in assumptions on the related information.

The most significant estimates are a result of the accrued expenses recorded by MCC for grant liabilities incurred by accountable entities (AE's). The majority of these liabilities are related to large infrastructure projects and estimates made on works performed but not yet invoiced as of the end of the FY. Due to the nature of the infrastructure contracts, the variability in quantities estimated or projected may differ from actual quantities billed through interim or final invoicing.

E. Accounting for Grants

MCC's partner countries, through their AE's, maintain their accounting records on a modified cash basis. The AEs are allocated a spending authority each quarter or as appropriate. A spending authority for a given period is the portion of the compact or threshold that MCC authorized, approved, and made available to AEs for current and past works, goods, and services incurred/delivered/received and for which AEs can request disbursement in a given quarter.

For certain AEs large infrastructure project contracts are structured to include advances for the mobilization of equipment and other upfront costs as well retentions on invoices. Funding advanced by AEs to contractors or vendors (mobilization advances) is amortized via contractually agreed upon schedules. The contract retentions represent a percentage of invoice amounts retained by the AEs as a guarantee for completion of works contractually agreed upon. The contract retentions are for works completed and are owed to the contractor contingent upon the fulfillment of specific requirements stipulated in the respective contracts. AEs do not release the retentions or request MCC payment for the retentions until the AEs have verified that the contractor has met all the requirements and obligations under the contract.

Where an AE has expenditures under the grant at the end of each quarter that have not been paid, such amounts are recorded as an accrual by MCC as grant expenses at the end of each quarter. Similarly, MCC recognizes AE contract retentions that have not been paid as part of the Grant Accrual Liability.

F. Fund Balance with Treasury

FBWT represents the aggregate amount of MCC's accounts with the Department of the Treasury available to pay current and future liabilities and finance authorized purchases, except where prohibited by law.

The Department of Treasury processes all cash receipts and disbursements on behalf of MCC. When MCC seeks to use FBWT to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus).

G. Advances and Prepayments

MCC makes funding available to Federal agencies, AEs, and local vendors. Federal agencies are funded through Interagency Agreements. AEs are funded either directly through a local bank account called the permitted account, or indirectly through vendor advance payments in accordance with the compact agreement. The provision of such funding is mainly to address cash flow flexibility for operating and administrative cost, to leverage better foreign exchange translation for the AEs, or to meet contractual requirements of AEs such as mobilization of equipment on large infrastructure projects. MCC records advances as assets. The advances are liquidated or amortized as follows: the funding made available to AEs through the local permitted account is tracked and liquidated on a monthly basis via the *Monthly Commitments and Disbursements Reports* provided by the AEs to MCC.

H. Accounts Receivable, Net

Accounts receivable reflect overpayments of payroll, travel, and other MCC current and former employee expenses. Accounts receivable also reflect disallowed and sustained AE expenditures. Receivables that exist with foreign countries are considered sovereign debt. Public accounts receivables are presented net of an allowance for doubtful accounts, which is based on analyses of debtors' ability to pay, specific identification of probable losses, aging analyses of past-due receivables, or historical collection experience.

I. General Property, Plant, and Equipment, Net

MCC's Property Plant and Equipment (PP&E) consists of capitalized general equipment costs. MCC's capitalization threshold is $100,000 for all assets, except for IT equipment, for which the capitalization threshold is $200,000. The basis for recording purchased PP&E is the full cost of the acquired asset, including all costs required to bring the asset to the form and location suitable for its intended use.

MCC controls, values, and reports purchased or developed software as tangible property assets, in accordance with the FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software.* MCC identifies software investments as capital property for items that, in aggregate, cost $500,000 or more to purchase, develop, enhance or modify a new or existing system. Software projects that are not completed at year end and are expected to exceed the capitalization threshold are recorded as software in development. All internal use software meeting the capitalization threshold is amortized over a five-year period using the straight-line half-year convention.

Leasehold improvements and furniture are depreciated using the straight-line method of depreciation over the estimated useful lives of the improvements (10 years). All other general PP&E is depreciated using the straight-line method over an estimated useful life of five years.

J. Liabilities

Liabilities represent the probable and measurable future outflow or other use of resources as a result of past transactions or events. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or for which funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts, where there is no certainty that the appropriations will be enacted. Liabilities not requiring budgetary resources represent amounts of unearned revenue.

K. Accounts Payable

Accounts payable represent amounts due to Federal and With the Public entities for goods and services received by MCC that have not been paid at the end of the accounting period. Intragovernmental accounts payable represents payable transactions with other Federal Government agencies (e.g., USAID, Department of the Interior, etc.), while Other than Intragovernmental accounts payable represents transactions With the Public entities.

L. Other Liabilities – Intragovernmental

Accrued Payroll

Accrued payroll consists of salaries, wages, and other compensation earned by the employees but not disbursed as of September 30, 2023 and 2022, respectively. The liability is estimated for reporting purposes based on historical pay information.

Employee Retirement Benefits

MCC's employees participate in either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS). FERS was established by Public Law (PL) 99-335. Pursuant to this law, most USG employees hired after December 31, 1983, are covered by FERS and Social Security. FERS consists of Social Security, a gross annuity plan, and a Federal Thrift Savings Plan (TSP). MCC and the employee contribute to Social Security and the gross annuity plan at rates prescribed by law. In addition, each year MCC is required to contribute to the Federal TSP a minimum of one percent of the gross pay of employees covered by this system, match voluntary employee contributions up to three percent of the employees' gross pay, and match one-half of contributions between three and five percent of the employees' gross pay, for a maximum MCC contribution of five percent of pay. For FERS employees, MCC also contributes the employer's share of Medicare.

Federal employees hired prior to January 1, 1984, were allowed to elect whether they desired to participate in FERS (with Social Security coverage) or remain in CSRS. For employees covered by CSRS, MCC contributes seven percent of their gross pay toward their retirement benefits. A matching contribution of seven percent is required and is automatically deducted from the employees' gross pay. Employees under CSRS may participate in the TSP but will not receive MCC's automatic or matching contributions.

Federal employee benefit costs paid by the Office of Personnel Management (OPM) and imputed by MCC are reported on the Statement of Net Cost. Contributions for FERS, CSRS, and other retirement benefits are insufficient to fund the programs fully and are subsidized by OPM. MCC imputes its share of the OPM subsidy, using cost factors provided by OPM, and reports the full cost of the programs related to its employees.

M. Liabilities Not Covered by Budgetary Resources

As of September 30, 2023, and 2022, budgetary resources have not yet been made available to fund certain liabilities reported on the Balance Sheet. Liabilities not covered by budgetary resources represent amounts for which Congressional appropriation is required and funding is generally made available in the year payments are due or anticipated. Liabilities not covered by budgetary resources include the Judgment Fund, unfunded leave, Federal Employees Compensation Act (FECA), unemployment compensation, and unamortized rent abatement liability.

Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to borrow from the public if the Government has a budget deficit (and to use current receipts if the Government has a budget surplus).

Judgment Fund

Certain legal matters to which MCC can be named as a party may be administered, and in some instances, litigated and paid by other Federal agencies. In general, amounts paid for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from a special appropriation administered by The Department of Treasury called the Judgment Fund. Although the ultimate disposition of any potential Judgment Fund proceedings cannot be determined, MCC Management expects that any liability or expense that might ensue would not be material to MCC's financial statements.

Unfunded Leave

A liability for annual and other vested compensatory leave is accrued as earned and reduced when taken. The value of employees' unused annual leave at the end of each fiscal quarter is accrued as a liability. At the end of each fiscal quarter, the balance in the accrued annual leave account is adjusted to reflect current pay rates and leave balances. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed when used, and in accordance with Federal requirements, no accruals are recorded for unused sick leave.

Unfunded Federal Employees Compensation Act

FECA (established by PL 103-3) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees.

Claims incurred for benefits for MCC employees under FECA are administered by the Department of Labor (DOL) and later billed to MCC. MCC's liability for workers' compensation includes any costs incurred but unbilled as of quarter end, as calculated by DOL, and not funded by current appropriations.

Unfunded Unemployment

DOL's unemployment programs provide unemployment benefits to eligible workers who become unemployed through no fault of their own and meet certain other eligibility requirements. The Unemployment Compensation for Federal Employees program provides benefits for eligible, unemployed, former civilian Federal employees MCC's liability for unemployment includes any costs incurred but unbilled as of quarter end, as calculated by DOL, and not funded by current appropriations.

Unamortized Rent Abatement Liability

The rent abatement represents MCC's period of free rent awarded by the lessor of the Franklin Court building. MCC maintains a 10-year operating lease for office space at Franklin Court, on which lease payments commenced in FY 2017. Per the terms of the contract, MCC was awarded approximately 15 months of rent abatement beginning on December 1, 2015. As a result of this 15-month rent abatement, MCC recorded a liability which is being amortized on a monthly basis utilizing a straight-line approach over the 10-year lease period.

N. Parent/Child Relationships with Other Federal Agencies

MCC is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one Agency of its ability to obligate budget authority and outlay funds to another Agency. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are also charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances.

MCC was allocated funds from the U.S. President's Emergency Plan for AIDS Relief, Office of the U.S. Global AIDS Coordinator through the Department of State. These activities are reported in Department of States' financial statements based on an exception applicable to funds for which the Executive Office of the President is the parent.

O. Foreign Currency Transactions

The functional currency of the agency is United States Dollars (USD), and these financial statements are presented in that currency. Each AEs budget amount is fixed and denominated in USD. The financial execution of our grants cannot exceed the total budgeted amount. Disbursements occurring in other currencies are translated into USD and recorded in USD. The AEs bear all currency translation risk, and as such, MCC does not record any foreign translation gain or loss in its financial statements.

P. Reclassification

The FY 2022 Balance Sheet was reclassified to conform to the FY 2023 financial statement presentation requirements in accordance with OMB Circular No. A-136, as amended. The reclassification included a change in the presentation of Intragovernmental Other Liabilities to employer taxes and payroll contributions payable, which was previously included in the accounts payable. The reclassifications had no effect on total assets, total liabilities, or net position.

Q. Classified Activities

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

Note 2 – Fund Balance with Treasury

As of September 30, 2023 and 2022, respectively, FBWT was comprised as follows:

Status of Fund Balance with Treasury

(in thousands)	FY 2023	FY 2022
Unobligated Balance		
Available	$ 3,461,297	$ 3,428,058
Unavailable	34,122	4,060
Obligated Balance not yet Dispersed	2,272,248	2,235,482
Non-Budgetary FBWT	-	-
Total	**$ 5,767,667**	**$ 5,667,600**

MCC's FBWT is classified as unobligated balance available and unavailable, obligated balance not yet disbursed, and non-budgetary FBWT. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Unobligated balances unavailable represent the amount remaining in appropriated funds subject to OMB apportionment Obligated balances not yet disbursed include undelivered orders or orders received but not yet paid.

Note 3 – Accounts Receivable, Net

Accounts receivable, net as of September 30, 2023 and 2022 were $0 thousand (net of allowance for doubtful accounts of $129 thousand) and $26 thousand (net of allowance for doubtful accounts of $0 thousand), respectively. An allowance for doubtful accounts is recorded for accounts receivable due from the public, to bring accounts receivable to its net realizable value in accordance with SFFAS No. 1, *Accounting for Selected Assets and Liabilities*.

Note 4 – General Property, Plant, and Equipment, Net

As of September 30, 2023 and 2022, respectively General Property, Plant and Equipment, net is comprised as follows:

General Property, Plant, and Equipment, net as of September 30, 2023

(in thousands)	Estimated Useful Life	Cost	Accumulated Depreciation & Amortization	Book Value
General PP&E:				
Leasehold Improvements	10 Years	$ 8,392	$ (6,543)	$ 1,849
Furniture	10 Years	3,788	(2,961)	827
Internal Use Software	5 Years	15,094	(15,067)	27
Vehicles	5 Years	111	(111)	-
Total		**$ 27,385**	**$ (24,682)**	**$ 2,703**

General Property, Plant, and Equipment, net as of September 30, 2022

(in thousands)	Estimated Useful Life	Cost	Accumulated Depreciation & Amortization	Book Value
General PP&E:				
Leasehold Improvements	10 Years	$ 8,392	$ (5,689)	$ 2,703
Furniture	10 Years	3,788	(2,580)	1,208
Internal Use Software	5 Years	15,094	(13,364)	1,730
Vehicles	5 Years	232	(232)	-
Total		**$ 27,506**	**$ (21,865)**	**$ 5,641**

The table below provides a reconciliation of the carrying value of net Property, Plant and Equipment between October 1 and September 30 for the respective fiscal years:

	FY 2023			FY 2022
(in thousands)	Cost	Accumulated Depreciation Amortization	Book Value	Book Value
General PP&E:				
Balance Beginning of Year	$ 27,506	$ (21,865)	$ 5,641	$ 9,919
Dispositions	(121)	121	-	-
Depreciation and Amortization	-	(2,938)	(2,938)	(4,278)
Balance at End of Year	**$ 27,385**	**$ (24,682)**	**$ 2,703**	**$ 5,641**

Note 5 – Liabilities Not Covered by Budgetary Resources

As of September 30, 2023 and 2022, liabilities not covered by budgetary resources, respectively, are comprised as follows:

(in thousands)	FY 2023	FY 2022
Intragovernmental		
Other Unfunded Unemployment Related Benefits	$ 1	$ 34
Total Intragovernmental	**1**	**34**
Other than Intragovernmental		
Annual Unfunded Leave Liability	5,630	4,933
Rent Abatement Liability	2,636	3,648
Total Liabilities Not Covered by Budgetary Resources	8,267	8,615
Total Liabilities Covered by Budgetary Resources	139,467	125,037
Total Liabilities Not Requiring Budgetary Resources	2,542	3,530
Total Liabilities	**$ 150,276**	**$ 137,182**

Note 6 – Other Liabilities

MCC's total other liabilities as of September 30, 2023 and 2022, respectively, are comprised as follows:

Other Liabilities as of September 30, 2023

(in thousands)	Non-Current Liabilities	Current Liabilities	Total
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	$ -	$ 968	$ 968
Unemployment Related Benefits	-	1	1
Total Intragovernmental Other Liabilities	**-**	**969**	**969**
Other than Intragovernmental			
Accrued Funded Payroll Benefits	-	3,743	3,743
Rent Abatement Liability	1,493	1,143	2,636
Total Other Liabilities Other than Intragovernmental	**1,493**	**4,886**	**6,379**
Total Other Liabilities	**$ 1,493**	**$ 5,855**	**$ 7,348**

Other Liabilities as of September 30, 2022

(in thousands)	Non-Current Liabilities	Current Liabilities Reclassified	Total
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	$ -	$ 871	$ 871
Unemployment Related Benefits	-	34	34
Total Intragovernmental Other Liabilities	**-**	**905**	**905**
Other than Intragovernmental			
Accrued Funded Payroll Benefits	-	3,527	3,527
Rent Abatement Liability	2,635	1,013	3,648
Total Other Liabilities Other than Intragovernmental	**2,635**	**4,540**	**7,175**
Total Other Liabilities	**$ 2,635**	**$ 5,445**	**$ 8,080**

Note 7 – Federal Employee Benefits Payable

As of September 30, 2023 and 2022, respectively, Federal Employee Benefits Payable, are comprised as follows:

(in thousands)	FY 2023	FY 2022
Annual Unfunded Leave Liability	$ 5,630	$ 4,933
Employer Contributions and Payroll Taxes Payable	144	285
Total Liabilities	**$ 5,774**	**$ 5,218**

Note 8 – Leases

MCC leases office space at the Franklin Court building in Washington, DC. The lease is an operating lease with a 10-year lease term with an effective date of December 1, 2015, and a termination date of November 30, 2025. The total Franklin Court lease is valued at $15,066 thousand with a termination liability as of September 30, 2023 in the amount of $10,292 thousand excluding rent.

The future lease payments due for the building and vehicle are depicted below.

Future Lease Payments Due

(in thousands)	Asset Category				
Fiscal Year	Vehicle	Building	Totals	Federal	Non-Federal
FY 2024	$ 9	$ 6,880	$ 6,889	$ -	$ 6,889
FY 2025	-	7,013	7,013	-	7,013
FY 2026	-	1,173	1,173	-	1,173
FY 2027	-	-	-	-	-
FY 2028	-	-	-	-	-
After FY 2028	-	-	-	-	-
Total Future Lease Payments	**$ 9**	**$ 15,066**	**$ 15,075**	**$ -**	**$ 15,075**

Note 9 – Accrued Grant Liabilities

As of September 30, 2023 and 2022, respectively, Accrued Grant Liabilities is comprised as follows:

(in thousands)	FY 2023	FY 2022
Grant Accrual	$ 102,785	$ 76,717
Retentions	19,041	29,735
Total	**$ 121,826**	**$ 106,452**

Note 10 - Commitments and Contingencies

MCC's program execution results in commitments of future obligations with country-specific accountable entities. Upon signing the agreement with the government, MCC obligates a smaller portion of the funding to support the pre-implementation activities and commits the remainder of the funding until Entry into Force (EIF). When the necessary milestones for EIF are met, the committed funds are recorded as an obligation. As of September 30, 2023, MCC had commitments for the Benin Regional Compact, the Niger Regional Compact, and the Indonesia II, Kosovo, Lesotho II, Malawi II, Mozambique II, and Timor-Leste compacts and the Kenya Threshold totaling on a combined basis $2,755,987 thousand. Similarly, as of September 30, 2022, MCC had commitments for the Burkina Faso II, Kosovo, Lesotho II, Malawi II, Nepal, and Timor-Leste compacts totaling $2,024,412 thousand.

Following the July 2023 military coup d'état in Niger, on September 15, 2023, MCC's Board of Directors suspended assistance to Niger. This includes the Millennium Challenge Compact with the Government of Niger that was signed in 2016 and assistance under the concurrent Millennium Challenge Compact with the Government of Niger that was signed in December 2022. Subsequently on October 10, 2023, the U.S. State Department concluded that a military coup d'état had taken place. Following the decision to suspend, MCC has initiated an orderly wind-down of activities on the compact signed in 2016 and ceased preparatory work on the concurrent compact. The status of these grants as of September 30, 2023 is as follows:

(in thousands)	
Obligated but not yet delivered	$ 100,523
Obligated and delivered but not yet paid	$ 38,567
Unobligated balance – Available funds committed pending Entry into Force	$ 288,049

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to MCC. The uncertainty ultimately should be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will occur confirms the loss; the incurrence of a liability can range from probable to remote. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities from Litigation*, contains the criteria for recognition and disclosure of contingent liabilities.

MCC could be a party to various administrative proceedings, legal actions, and claims brought by or against it. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not to

occur, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely to occur, and the related future outflow or sacrifice of resources is measurable.

Certain contracts entered into by AE's may contain performance guarantees which may or may not result in the AE being reimbursed for nonperformance. These performance guarantees are not recorded until the non-performance event is triggered and result in a receivable to the AE. As of September 30, 2023, six AEs had agreements subject to performance guarantees which in aggregate are not to exceed $136,983 thousand.

Note 11 – Notes Related to the Statement of Budgetary Resources

Permanent, Indefinite Appropriations

MCC is funded through permanent, indefinite appropriations to finance its operations. Permanent, indefinite appropriations are appropriations that are available until expended.

Permanent Reductions to Budgetary Resources

In FY 2023 a permanent reduction of $100.0 million was made to MCC's budgetary resources under Public Law (P.L.) 117-328. In FY 2022 a permanent reduction of $515.0 million was made to MCC's budgetary resources under P.L. 117-108. The permanent reduction is included in the Statement of Budgetary Resources Budgetary Resources section and is also included in the Statement of Change in Net Position.

Unobligated Balance from Prior-year's Budget Authority, Net

During the years ended September 30, 2023 and 2022, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2022 and 2021. These adjustments are comprised of downward adjustments to undelivered orders that were obligated in a prior fiscal year.

The adjustments for the years ended of September 30, 2023 and 2022, are presented below:

Net Adjustments to Unobligated Balance, Brought Forward, October 1

(in thousands)	FY 2023	FY 2022
Unobligated Balance brought Forward from Prior Year	$ 3,432,118	$ 3,460,205
Adjustments to Budgetary Resources Made During Current Year		
Downward adjustments of prior year orders	72,776	8,531
	72,776	8,531
Unobligated Budgetary Resources from Prior Year Budget Authorities	**$ 3,504,894**	**$ 3,468,736**

Note 12 – Undelivered Orders at the End of the Period

Undelivered Orders represent the amount of goods and/or services ordered to perform MCC's program activities, which have not been received. MCC's undelivered orders as of September 30, 2023 and 2022, respectively is comprised as follows:

Undelivered Orders at End of Period

(in thousands)	FY 2023	FY 2022
Intragovernmental		
Paid	$ 2,157	$ 3,308
Unpaid	5,668	8,000
Total Intragovernmental	7,825	11,308
Other than Intragovernmental		
Paid	68,193	25,866
Unpaid	2,126,899	2,102,428
Total Other than Intragovernmental	2,195,092	2,128,294
Total	**$ 2,202,917**	**$ 2,139,602**

Note 13 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

The table below documents there are no differences between the FY 2022 Statement of Budgetary Resources and the actual amounts reported for FY 2022 in the Budget of the U.S. Government released in 2023. Since the FY 2023 financial statements will be reported prior to the release of the Budget of the U.S. Government, MCC is reporting for FY 2022 only. Typically, the Budget of the U.S. Government with the current year actual data is published in February of the subsequent year. Once published, the FY 2023 actual data will be available on https://www.whitehouse.gov/omb/budget/.

(in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	New Outlays
Statement of Budgetary Resources	$ 3,866	$ 434	$ (691)
Other - Rounding	-	-	(1)
Budget of the U.S. Government	**$ 3,866**	**$ 434**	**$ (692)**

Note 14 – Reconciliation of Net Cost to Net Outlays

SFFAS 53, *Budget and Accrual Reconciliation*, requires a reconciliation of the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. The reconciliation of net outlays (reported on the Statement of Budgetary Resources) and net cost (reported on the Statement of Net Cost) clarifies the relationship between budgetary and financial accounting information. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2023

(in thousands)	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost	**$ 36,560**	**$ 672,558**	**$ 709,118**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(2,938)	(2,938)
Increase/(Decrease) in Assets:			
Accounts receivable, net	-	(26)	(26)
Other assets	(1,151)	42,327	41,176
Increase/(Decrease) in Liabilities:			
Accounts Payable	(343)	1,262	919
Federal Employee and Veteran Benefits Payable	-	(556)	(556)
Other Liabilities	1,121	796	1,917
Grant Accrual Liability	-	(15,374)	(15,374)
Financing Sources:			
Imputed Cost	(4,259)	-	(4,259)
Total Components of the Net Operating Cost Not Part of the Budgetary Outlays	**(4,632)**	**25,491**	**20,859**
Components of the Budget Outlays that are Not Part of the Net Operating Cost			
Financing Sources:			
Donated services	-	(44)	(44)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**-**	**(44)**	**(44)**
Total Net Outlays (Calculated Total)	**$ 31,928**	**$ 698,005**	**$ 729,933**
Budgetary Agency Outlays, Net			**$ 729,933**

Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2022

(in thousands)	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost	**$ 42,365**	**$ 671,372**	**$ 713,737**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(4,278)	(4,278)
Increase/(Decrease) in Assets:			
Accounts receivable, net	-	23	23
Other assets	(3,230)	(21,385)	(24,615)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(908)	498	(410)
Federal Employee and Veteran Benefits Payable	-	184	184
Other Liabilities	457	544	1,001
Grant Accrual Liability	-	8,757	8,757
Financing Sources:			
Imputed Cost	(2,545)	-	(2,545)
Total Components of the Net Operating Cost Not Part of the Budgetary Outlays	**(6,226)**	**(15,657)**	**(21,883)**
Components of the Budget Outlays that are Not Part of the Net Operating Cost			
Financing Sources:			
Transfers out (in) without reimbursement	(381)	-	(381)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**(381)**	**-**	**(381)**
Total Net Outlays (Calculated Total)	**$ 35,758**	**$ 655,715**	**$ 691,473**
Budgetary Agency Outlays, Net			**$ 691,473**

Note 15 - COVID-19 Activity

In FY 2023 and FY 2022, MCC did not receive any supplemental appropriations to respond to COVID-19 under the Families First Act; P.L. 116-127 or the CARES Act; P.L. 116-136.

The Consolidated Appropriations Act, 2021; P.L. 116-260 authorized MCC, subject to the availability of funds, to extend any compact in effect as of January 29, 2020, for up to one additional year, to account for delays related to COVID-19. Budgetary resources were used from prior year appropriations in support of the extension of five compacts to mitigate implementation delays due to the COVID-19 pandemic and to complete infrastructure projects as originally contemplated. As of September 30, 2023 and 2022 $51.8 million and $28.1 million, respectively, had been obligated.

Net outlays associated with COVID-19 as of September 30, 2023 and 2022 were $36.1 and $10.6 million, respectively, and there are no liabilities directly attributable to these extensions and no impact on the Net Position of MCC.

Note 16 - Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government (Financial Report)*, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by USSGL account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows the MCC's financial statements (specifically the Statement of Net Cost and the Statement of Changes in Net Position) and the MCC reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2022 Financial Report can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2023 Financial Report will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

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

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2023			
FY 2023 MCC Statement of Net Cost		Line Items Used to Prepare FY 2023 Government-wide Statement of Net Cost	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement
(in thousands)			
Gross Costs	$ 710,302		
			Non-Federal Costs
		$ 672,558	Non-Federal Gross Cost
		672,558	**Total Non-Federal Costs**
			Intragovernmental Costs
		12,544	Benefit Program Costs
		4,259	Imputed Costs
		17,298	Buy/Sell Costs
		3,643	Other Expenses (w/o Reciprocal)
		37,744	**Total Intragovernmental Costs**
Total Gross Costs	710,302	710,302	
Earned Revenue	(1,184)		**Earned Revenue**
		(1,184)	Federal Earned Revenue
Total Earned Revenue	(1,184)	(1,184)	Federal Earned Revenue
Net Cost	**$ 709,118**	**$ 709,118**	**Net Cost**

Reclassification of Statement of Changes in Net Position to Line Items Used for the Government-wide Statement of Changes in Net Position for the Year Ending September 30, 2023			
FY 2023 MCC Statement of Changes in Net Position		Line Items Used to Prepare FY 2023 Government-wide Statement of Changes in Net Position	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Line
(in thousands)			
Unexpended Appropriations			
Unexpended Appropriations, Beginning Balance	$ 5,567,836	$ 5,567,836	Unexpended Appropriations, Beginning Balance
Appropriations Received	930,000	930,000	Appropriations Received
Other Adjustments	(100,000)	(100,000)	Other Adjustments
Appropriations Used	(703,383)	(703,383)	Appropriations Used
Total Unexpended Appropriations	$ 5,694,453	$ 5,694,453	**Total Unexpended Appropriations**
Cumulative Results of Operations			
Cumulative Results, Beginning Balance	$ (2,577)	$ (2,577)	Cumulative Results, Beginning Balance as adjusted
Donations and Forfeiture of Property	44	44	Donations and Forfeiture of Property
Imputed Financing	4,259	4,259	Imputed Financing Sources
Total Donations, Transfers, & Imputed Financing	4,303	4,303	**Total Donations, Transfers, & Imputed Financing**
Net Cost of Operations	(709,118)	(709,118)	**Net Cost of Operations**
Ending Balance - Cumulative Results of Operations	(4,009)	(4,009)	**Cumulative Results of Operations**
Total Net Position	**$ 5,690,444**	**$ 5,690,444**	**Net Position**