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

Audit of MCC's Financial Statements for Fiscal Years 2024 and 2023

Audit Report 0-MCC-25-002-C
November 14, 2024

Office of Audits, Inspections, and Evaluations

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

MEMORANDUM

DATE: November 14, 2024

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

FROM: Paul K. Martin, Inspector General PaulKMA

SUBJECT: Audit of MCC's Financial Statements for Fiscal Years 2024 and 2023 (0-MCC-25-002-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC's) financial statements for fiscal years 2024 and 2023. 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. 24-02, 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. That said, 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 MCC's financial statements as of September 30, 2024, and September 30, 2023, were presented fairly, in all material respects; (2) evaluate MCC's internal control over financial reporting; and (3) determine whether MCC complied with applicable laws, regulations, contracts, and grant agreements. To answer the audit objectives, the audit firm assessed risk, considered internal controls, and designed audit procedures relevant to MCC's fair presentation of its 2024 and 2023 financial statements.

The audit firm concluded that MCC's financial statements for the fiscal years ending September 30, 2024, and September 30, 2023, 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 material weaknesses in internal control over financial reporting based on the procedures performed, and no reportable noncompliance with applicable laws, regulations, contracts, and grant agreements.

In finalizing the report, the audit firm acknowledged MCC's response to the report.

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

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Independent Auditor's Report

To

The Board of Directors
Millennium Challenge Corporation

The Inspector General
United States Agency for International Development

In our audits of the fiscal years 2024 and 2023 financial statements of the Millennium Challenge Corporation (MCC), we found

- MCC's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed;[1] and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes a section on required supplementary information (RSI)[2] and a section on other information included with the financial statements;[3] (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

Opinion

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

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[1]A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.
[2] The RSI consists of Management's Discussion and Analysis, and Combining Statement of Budgetary Resources which are included with the financial statements.
[3] Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

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(OMB) Bulletin No. 24-02, *Audit Requirements for the Federal Financial Statements,* we have audited MCC's financial statements. MCC's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, MCC's financial statements present fairly, in all material respects, MCC's financial position as of September 30, 2024, and 2023, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

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

Other Information

MCC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in MCC's AMR. The other information comprises the following sections: Summary of Financial Statement Audit and Management Assurances, Grant Programs, Climate Related Risk, and Payment Integrity Information Act Reporting. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control over Financial Reporting

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of MCC's internal control over financial reporting. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our 2024 audit, we identified deficiencies in MCC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant MCC management's attention. We have communicated these matters to MCC management and, where appropriate, will report on them separately. The status of prior year findings can be found in Appendix II.

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

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

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

[5] Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, issued on July 29, 2024. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

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Responsibilities of Management for Internal Control over Financial Reporting

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

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of MCC's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered MCC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCC's internal control over financial reporting. Accordingly, we do not express an opinion on MCC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to MCC. Accordingly, we do not express such an opinion.

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

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

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

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

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

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

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

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

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Agency Comments

In commenting on a draft of this report, MCC concurs with the conclusions of the report and provides a management response. The complete text of MCC's response is reprinted in Appendix I. 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.

RMA Associates

Arlington, VA
November 13, 2024

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Appendix I: Management's Response

MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

DATE: November 7, 2024

TO: Khadija Walker
Deputy Assistant Inspector General for Office of Audits, Inspections, and Evaluations
Office of Inspector General
United States Agency for International Development

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 2024 and 2023," dated November 5, 2024

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 2024 and 2023," dated November 5, 2024. MCC concurs with the conclusions of the report and is proud that it identified no material weaknesses or significant deficiencies for the first time in our agency's history. This is recognition of the continued improvement throughout the past 20 years to reach this goal. We look forward to maintaining and enhancing our internal control environment.

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If you have any questions or require additional information, please contact Michael Wright at 202-521-3648 or by email at wrightmj@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
Abdel Maliky, Deputy Vice President, A&F, MCC
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

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Appendix II: Status of Prior Year Findings

Fiscal Year	No.	Recommendation	Type	FY 2024 Status
FY23	1	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.	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 30, 2024). 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, 2023, 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, 2024 and 2023 (in thousands)

	FY 2024	FY 2023 Reclassified
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury *(Note 2)*	$ 5,491,332	$ 5,767,667
Advances and Prepayments	1,561	2,157
Total Intragovernmental Assets	5,492,893	5,769,824
Other than Intragovernmental Assets:		
Accounts Receivable, net *(Note 3)*	17	-
Property, Plant, and Equipment, net *(Note 4)*	15,136	2,703
Advances and Prepayments	88,886	68,193
Total Other than Intragovernmental Assets	104,039	70,896
Total Assets:	**$ 5,596,932**	**$ 5,840,720**
Liabilities *(Note 5)*:		
Intragovernmental Liabilities:		
Accounts Payable	$ 4	$ 1,243
Advances from Others and Deferred Revenue	2,510	2,345
Other Liabilities *(Note 6)*	1,153	969
Total Intragovernmental Liabilities	3,667	4,557
Other than Intragovernmental Liabilities		
Accounts Payable	8,855	11,740
Federal Employee Salary, Leave, and Benefits Payable *(Note 7)*	11,215	9,517
Other Liabilities:		
Accrued Grant Liabilities *(Note 9)*	113,587	121,826
Other *(Note 6)*	14,002	2,636
Total Other than Intragovernmental Liabilities	147,659	145,719
Total Liabilities	**$ 151,326**	**$ 150,276**
Commitment and Contingencies *(Note 10)*		
Net Position		
Unexpended Appropriations-Funds from Other than Dedicated Collections	$ 5,447,876	$ 5,694,453
Total Unexpended Appropriations	5,447,876	5,694,453
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(2,270)	(4,009)
Total Cumulative Results of Operations	(2,270)	(4,009)
Total Net Position	5,445,606	5,690,444
Total Liabilities and Net Position	**$ 5,596,932**	**$ 5,840,720**

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET COST
For the Years Ended September 30, 2024 and 2023 (in thousands)

	FY 2024	FY 2023
Gross Program Costs	$ 564,498	$ 571,789
Less: Earned Revenue	(1,236)	(1,184)
Net Program Costs	563,262	570,605
Costs Not Assigned to Programs	145,108	138,513
Less: Earned Revenue	(74)	-
Net Costs Not Assign	145,034	138,513
Net Cost of Operations	**$ 708,296**	**$ 709,118**

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2024 and 2023 (in thousands)

	FY 2024	FY 2023
Unexpended Appropriations		
Beginning Balance	$ 5,694,453	$ 5,567,836
Adjustments:		
Corrections of Errors	(11)	-
Beginning Balance, as Adjusted	5,694,442	5,567,836
Appropriations Received	930,000	930,000
Other Adjustments	(475,000)	(100,000)
Appropriations Used	(701,566)	(703,383)
Net Change in Unexpended Appropriations	(246,566)	126,617
Total Unexpended Appropriations	**5,447,876**	**5,694,453**
Cumulative Results of Operations		
Beginning Balance	(4,009)	(2,577)
Adjustments:		
Changes in Accounting Principles *(Note 1D)*	2,636	-
Corrections of Errors	11	-
Beginning Balance, as Adjusted	(1,362)	(2,577)
Appropriations Used	701,566	703,383
Donations and Forfeitures of Property	102	44
Imputed Financing	5,720	4,259
Net Cost of Operations	**(708,296)**	**(709,118)**
Net Change in Cumulative Results of Operations	(908)	(1,432)
Total Cumulative Results of Operations	**(2,270)**	**(4,009)**
Net Position	**$ 5,445,606**	**$ 5,690,444**

The accompanying notes are an integral part of these statements.

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2024 and 2023 (in thousands)

	FY 2024	FY 2023
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, net *(Note 11)*	$ 3,570,562	$ 3,504,894
Appropriations	455,000	830,000
Spending Authority from Offsetting Collections	1,400	-
Total Budgetary Resources	**$ 4,026,962**	**$ 4,334,894**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (total)	$ 1,770,752	$ 839,475
Unobligated Balance, end of year		
Apportioned, Unexpired Accounts	2,183,079	3,461,297
Unapportioned, Unexpired Accounts	73,131	34,122
Unexpired Unobligated Balance, end of year	2,256,210	3,495,419
Unobligated Balance, end of year (total)	2,256,210	3,495,419
Total Budgetary Resources	**$ 4,026,962**	**$ 4,334,894**
Outlays, Net		
Outlays, Net (total)	**$ 731,336**	**$ 729,933**

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 (SBR) 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. Recent Accounting Announcements

On October 1, 2023, MCC adopted Statement of Federal Financial Accounting Standards 54 - *Leases* (SFFAS 54), as amended that requires lessees to recognize operating leases on the balance sheet as a right-of-use asset and the associated lease liability based on the value of the discounted future lease payments. SFFAS 54 required that leases unexpired at the beginning of the reporting period in which the Statement is implemented be recognized and measured using the facts and circumstances that exist at the beginning of the reporting period. Therefore, in the period of implementation (1) the determination of the lease term would assume that the lease term began as of the beginning of the period of implementation and (2) the lease liability and lease asset should initially be measured based on the remaining lease term and associated lease payments as of the beginning of the period of implementation. Accordingly, MCC's comparative FY 2023 accounting recognition and note disclosures for leases as lessee are not affected by this implementation. Expanded disclosures about the nature and terms of lease agreements are required prospectively and are included in Note 8 – Leases.

Upon adoption of SFFAS 54, MCC recognized with respect to the lease contract for the building it leases a right-of-use asset of $14.7 million and lease liability of $14.7 million. Under the terms of the original lease for the building, MCC was awarded approximately 15 months of rent abatement beginning on December 1, 2015. As a result of this 15-month rent abatement, and in accordance with the Financial Accounting Standards Board Accounting Standards Codification No. 842, Leases, a liability was recorded and amortized monthly utilizing a straight-line approach over the 10-year lease period. With the adoption of SFFAS 54 MCC reduced the unamortized rent balance to zero as of October 1, 2023, recording a cumulative-effect adjustment which increased the Cumulative Results of Operations by $2.6 million, with no adjustment to prior periods presented.

Additionally, with the adoption of SFFAS 54 MCC has also recorded a right-to-use asset and liability for its allocated share of the Overseas Residential Leases/Housing Pool managed by the Department of State. The United States Government (USG) holds over 14,000 overseas real property leases for residences that are occupied by USG employees of various federal agencies. The majority of these leases are established within housing pools to accommodate the needs of agencies with employees serving in overseas positions. Interagency Housing Boards, consisting of representatives from multiple agencies at each post, assign leases based on the federal employee's tour length, rank, and family size, independent of the employee's home agency. Payments for housing pool leases are paid to the residence's landlords with the funds pulled directly from the occupant's agency.

Intragovernmental lease payments and short-term lease payments are recognized as expenses based on the payment provisions of the contract or agreement and standards regarding recognition of accounts payable and other related amounts. An asset may be recognized as an asset if payment is made in advance of the reporting period to which it relates, or a liability may be recognized for an amount due and unpaid at the end of the reporting period to which it relates. Rental increases, rental decreases, lease incentives, and lease concessions are recognized when incurred as increases/reductions to lease expense.

MCC has elected not to assess whether contracts or agreements meeting the specific eligibility criteria for 'embedded leases' are/or contain lease component(s) as of October 1, 2023, as well as those subsequently entered into or modified prior to the end of the accommodation period, September 30, 2026. The contract or agreement for which this accommodation is applied is accounted for as non-lease contract or agreement for the remaining term, unless the contract or agreement is subsequently modified after the end of the accommodation period.

The recognition of right-to-use lease assets and the amortization of right-to-use lease assets are discussed in Note 4, General Property, Plant, and Equipment, Net.

The recognition of Lease liabilities and the related amortization of the discounts on lease liabilities that is recognized as interest expense are discussed in Note 6, Liabilities.

E. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with 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.

F. Intragovernmental and with The Public Transactions

Statement of Federal Financial Accounting Standards (SFFAS) 1, *Accounting for Selected Assets and Liabilities*, distinguishes between intragovernmental and with the public assets and liabilities. Intragovernmental assets and liabilities arise from transactions among federal entities. Intragovernmental assets are claims other federal entities owe to MCC. Intragovernmental liabilities are claims MCC owes to other federal entities, whereas with the public assets and liabilities arise from transactions with public entities. The term public entities encompasses domestic and foreign persons and organizations outside the U.S. Government. With the public assets are claims of MCC against public entities. With the public liabilities are amounts that MCC owes to public entities.

G. 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.

H. 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).

I. Advances and Prepayments

MCC makes funding available to federal agencies, AEs, and local vendors. Federal agencies are funded through Inter Agency 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.

J. 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.

K. Property, Plant, and Equipment, Net

MCC's Property Plant and Equipment (PP&E), excluding right-to-use Lease Assets, 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.

Leases

MCC accounts for leases in accordance with SFFAS 54 in determining whether contractual arrangements conveying the right to control the use of property, plant, and equipment are other than short-term leases. Leases other than short-term leases are recorded on the Balance Sheet as right-to-use assets as part of General Property, Plant and Equipment. MCC's capitalization threshold for right-to-use assets is $100,000. The cost of property, plant and equipment acquired under other than short-term lease is the amount recognized as a liability for the other than short-term lease at its inception. Payments for these leases are recorded against the liability for capital lease, with an interest component expensed. Amortization of these leases are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter. For short-term leases payments for these leases are expensed when paid.

L. 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.

Liabilities not Covered by Budgetary Resources

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 lease liabilities for which budgetary resources have not yet been provided.

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).

The portion of the Lease Liabilities of $14,002 thousand that is reported as not covered by budgetary resources is based on budgetary accounting guidance for recognition of obligations for leases as set forth in OMB Circular A-11, Preparation, Submission, and Execution of the Budget.

Liabilities Not Requiring Budgetary Resources

Liabilities not requiring budgetary resources are liabilities that will not require the use of budgetary resources, such as unearned revenue which is reduced as the revenue is earned.

Other Liabilities - Leases

Effective FY 2024, Lease Liabilities (related to right-to-use Lease Assets) are initially recognized at the present value of payments expected to be made during the lease term. The future lease payments are discounted using the interest rate the lessor charges the lessee. If the interest rate is not stated in the lease, the interest rate is based on an interest rate on marketable Treasury securities at the commencement of the lease term, with a similar maturity to the term of the lease. Lease liabilities are subsequently reassessed only under limited circumstances and if the changes individually or in the aggregate, are expected to significantly affect the amount of the lease liability since the previous measurement. A lease liability is typically primarily reduced by principal payments made. The related amortization of the discount on a lease liability is recognized over the life of the lease liability as interest expense.

Current And Non-Current Liabilities

MCC discloses its other liabilities between current and noncurrent liabilities in accordance with Statement of Federal Financial Accounting Standards 1, *Accounting for Selected Assets and Liabilities*. The current liabilities represent liabilities that MCC expects to settle within 12 months of the Consolidated Balance Sheet dates. Noncurrent liabilities represent liabilities that MCC does not expect to be settled within 12 months of the Consolidated Balance Sheet dates.

M. Accounts Payable

Accounts Payable includes amounts owed but not yet paid to intragovernmental and with the public entities for goods and services received by MCC. MCC estimates and records accruals when services and goods are performed or received.

N. Federal Employee Benefits Payable

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.

Employee Retirement Benefits

MCC employees participate in either the Civil Service Retirement System or the Federal Employees Retirement System (FERS) and Social Security. These systems provide benefits upon retirement and in the event of death, disability, or other termination of employment, and may also provide pre-retirement benefits. They may also include benefits to survivors and their dependents, and they may contain early retirement or other special features. MCC's contributions to both retirement plans, as well as to the government-wide Federal Insurance Contribution Act, administered by the Social Security Administration, are recognized as current operating expenses. Federal employee benefits also include the Thrift Savings Plan. For FERS employees, MCC matches employee contributions to the plan, subject to limitations. The matching contributions are recognized as current operating expenses.

O. Net Position

Net position is the residual difference between assets and liabilities and consists of Unexpended Appropriations and Cumulative Results of Operations.

Unexpended Appropriations

MCC receives annual appropriations that are reduced and repaid to the Treasury during the fiscal year. Unexpended appropriations include the portion of MCC's appropriations that have not been reduced and repaid to the Treasury that are represented by undelivered orders and unobligated balances. Delivered orders result in expended appropriations and reduce the total reported as Unexpended Appropriations. Undelivered orders are the value of orders of goods or services which have not been actually or constructively received. MCC does not have funds from dedicated collections.

Cumulative Results of Operations

Cumulative results of operations consist of the net difference since inception between expenses and losses; revenue and gains; and other financing sources. MCC does not have funds from dedicated collections.

P. 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.

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.

R. Prior Year Reclassifications

For balance sheet presentation purposes, the unfunded annual leave previously reported in Other Liabilities in the prior year has been reclassified to the line-item Federal Employee Salary, Leave, and Benefits Payable in conformity with the requirements of OMB Circular A-136. Accordingly, disclosure regarding Note 6 Other Liabilities for the prior year reflects this reclassification.

Note 2 – Fund Balance with Treasury

As of September 30, 2024, and 2023, respectively, FBWT was comprised as follows:

Status of Fund Balance with Treasury

(in thousands)	FY 2024	FY 2023
Unobligated Balance		
Available	$ 2,183,079	$ 3,461,297
Unavailable	73,131	34,122
Obligated Balance not yet Dispersed	3,235,122	2,272,248
Non-Budgetary FBWT	-	-
Total	**$ 5,491,332**	**$ 5,767,667**

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, 2024, and 2023 were $17 thousand (net of allowance for doubtful accounts of $0 thousand) and $0 thousand (net of allowance for doubtful accounts of $129 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

Starting in FY 2024, federal agencies are required to report a right-to-use lease asset and a corresponding lease liability for material non-intragovernmental, non-short-term contracts when the reporting entity has a right to control the use of real property, equipment, or other assets (see also Note 8). As of September 30, 2024, and 2023, respectively General Property, Plant and Equipment, net is comprised as follows:

General Property, Plant, and Equipment, net as of September 30, 2024

(in thousands)	Estimated Useful Life	Cost	Accumulated Depreciation & Amortization	Book Value
General PP&E:				
Leasehold Improvements	10 Years	$ 8,392	$ (7,397)	$ 995
Furniture	10 Years	3,788	(3,343)	445
Internal Use Software	5.0 Years	15,094	(15,094)	-
Vehicles	5.0 Years	111	(111)	-
Right-To-Use Lease Asset - Builiding	1.2 Years	14,717	(5,094)	9,623
Right-To-Use Lease Asset - Overseas leases	Up to 30 Years	6,628	(2,555)	4,073
Total		**$ 48,730**	**$ (33,594)**	**$ 15,136**

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**

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:

(in thousands)	FY 2024	FY 2023
Balance beginning of year, Unadjusted	$ 2,703	$ 5,641
Effect of implementation of SFFAS 54	19,638	-
Balance beginning of year, Adjusted	22,341	5,641
Capitalized of Right-To-Use Lease Assets Acquisitions	2,162	-
Dispositions of Right-To-Use Lease Assets Acquisitions	(417)	-
Amortization of Right-To-Use Lease Assets, Current Year	(7,688)	-
Depreciation and Amortization Expense	(1,262)	(2,938)
Balance at End of Year	**$ 15,136**	**$ 2,703**

Note 5 – Liabilities Not Covered by Budgetary Resources

As of September 30, 2024, and 2023, liabilities not covered by budgetary resources, respectively, are comprised as follows:

(in thousands)	FY 2024	FY 2023
Intragovernmental		
Other Unfunded Unemployment Related Benefits	$ -	$ 1
Total Intragovernmental	**-**	**1**
Other than Intragovernmental		
Annual Unfunded Leave Liability	6,224	5,630
Lease Liability	14,002	-
Rent Abatement Liability	-	2,636
Total Liabilities Not Covered by Budgetary Resources	20,226	8,267
Total Liabilities Covered by Budgetary Resources	128,590	139,467
Total Liabilities Not Requiring Budgetary Resources	2,510	2,542
Total Liabilities	**$ 151,326**	**$ 150,276**

Note 6 – Other Liabilities

Starting in FY 2024, federal agencies are required to report a right-to-use lease asset and a corresponding lease liability for material non-intragovernmental, non-short-term contracts when the reporting entity has the right to control access to and/or obtain benefits from the use of real property, equipment, or other assets (see also Note 8).

MCC's total other liabilities as of September 30, 2024, and 2023, respectively, are comprised as follows:

Other Liabilities as of September 30, 2024

(in thousands)	Non-Current Liabilities	Current Liabilities	Total
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	$ -	$ 1,153	$ 1,153
Total Intragovernmental Other Liabilities	**-**	**1,153**	**1,153**
Other than Intragovernmental			
Lease Liability	7,014	6,988	14,002
Total Other Liabilities Other than Intragovernmental	**7,014**	**6,988**	**14,002**
Total Other Liabilities	**$ 7,014**	**$ 8,141**	**$ 15,155**

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			
Rent Abatement Liability	1,493	1,143	2,636
Total Other Liabilities Other than Intragovernmental	**1,493**	**1,143**	**2,636**
Total Other Liabilities	**$ 1,493**	**$ 2,112**	**$ 3,605**

Note 7 – Federal Employee Salary, Leave, and Benefits Payable

As of September 30, 2024, and 2023, respectively, Federal Employee Benefits Payable, are comprised as follows:

(in thousands)	FY 2024	FY 2023 Reclassified
Annual Unfunded Leave Liability	$ 6,224	$ 5,630
Accrued Funded Payroll and Leave	4,697	3,743
Employer Contributions and Payroll Taxes Payable	294	144
Total Liabilities	**$ 11,215**	**$ 9,517**

Note 8 – Leases

MCC leases office space in a building in Washington, DC. The lease is for a 10-year lease term with an effective date of December 1, 2015, and a termination date of November 30, 2025. The termination liability as of September 30, 2024 was $7,780 thousand and excludes rent. The discount rate used to calculate the right-to-use asset and liability amount was based on rates provided by the Department of Treasury. A 4.875% rate has been applied to the lease based on the commencement date and total lease term.

Additionally, MCC participates in the housing pool managed by the State Department on behalf of the United States Government (USG) for its overseas staff. The State Department acts as manager and holds over 14,000 overseas real property leases for residences that are occupied by USG employees of various federal agencies. These residential leases exist in over 200 overseas locations (i.e., posts) spanning 180 countries and utilizing over 135 currencies. The majority of these leases are established within housing pools to accommodate the needs of agencies with employees serving in overseas positions. Interagency Housing Boards, consisting of representatives from multiple agencies at each post, assign leases based on the federal employee's tour length, rank, and family size, independent of the employee's home agency. Payments for housing pool leases are paid to the residence's landlords with the funds pulled directly from the occupant's agency.

As of September 30, 2024, there were over 14,000 leases established within the overseas housing pools. Of those, over 11,000 leases met the definition of right-to-use Assets and Liabilities under SFFAS 54. The discount rates used to calculate the right-to-use asset and liability amounts is based on rates provided by the Department of Treasury. Rates are applied to leases based on their commencement date and total lease term, ranging between 3.65% - 5.00% from October 1, 2023 to September 30, 2024.

The combined lease expense recognized for the year ended September 30, 2024 totaled $8,245 thousand - $7,186 thousand for MCC's leased office space and $1,059 thousand for the allocated housing pool.

The future lease payments as of September 30, 2024 due for the building and MCC's allocation of the housing pool as well as short term leases are as follows:

Future Lease Payments Due

Right-To-Use Leases

(in thousands)

	Asset Category									
	Franklin Court			Overseas Leases - House Pool			Overseas Leases - Land			
Fiscal Year	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Principal	Interest	Subtotal	TOTAL
FY 2025	$ 6,988	$ 245	$ 7,233	$ 873	$ 249	$ 1,122	$ 18	$ 7	$ 25	$ 8,380
FY 2026	1,202	7	1,209	818	209	1,027	19	6	25	2,261
FY 2027	-	-	-	710	173	883	20	5	25	908
FY 2028	-	-	-	587	142	729	20	4	24	753
FY 2029	-	-	-	497	116	613	21	3	24	637
After FY 2029	-	-	-	2,183	579	2,762	46	3	49	2,811
Total Future Lease Payments	**$ 8,190**	**$ 252**	**$ 8,442**	**$ 5,668**	**$ 1,468**	**$ 7,136**	**$ 144**	**$ 28**	**$ 172**	**$ 15,750**

Short Term Leases

(in thousands)	Asset Category				
Fiscal Year	Vehicle	Copier	Totals	Federal	Non-Federal
FY 2025	$ 10	$ 48	$ 58	$ -	$ 58
FY 2026	7	48	55	-	55
FY 2027	-	48	48	-	48
FY 2028	-	48	48	-	48
After FY 2028	-	8	8	-	8
Total Future Lease Payments	**$ 17**	**$ 200**	**$ 217**	**$ -**	**$ 217**

Note 9 – Accrued Grant Liabilities

As of September 30, 2024, and 2023, respectively, Accrued Grant Liabilities is comprised as follows:

(in thousands)	FY 2024	FY 2023
Grant Accrual	$ 87,868	$ 102,785
Retentions	25,719	19,041
Total	**$ 113,587**	**$ 121,826**

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, 2024, MCC had commitments for the Belize, Benin Regional Compact, Mozambique II, Sierra Leone and Timor-Leste compacts totaling on a combined basis $1,556,477 thousand. As of September 30, 2023, MCC had commitments for the Benin Regional Compact, the Niger Regional Compact, 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.

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, 2024, six AEs had agreements subject to performance guarantees which in aggregate are not to exceed $220,425 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 2024 a permanent reduction of $475.0 million was made to MCC's budgetary resources under Public Law (P.L.) 118-47. In FY 2023 a permanent reduction of $100.0 million was made to MCC's budgetary resources under P.L. 117-328. 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 year ended September 30, 2024, and 2023, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2023, and 2022. These adjustments are comprised of downward adjustments to undelivered orders that were obligated in a prior fiscal year.

The adjustments for the years ended September 30, 2024, and 2023, are presented below:

Net Adjustments to Unobligated Balance, Brought Forward, October 1

(in thousands)	FY 2024	FY 2023
Unobligated Balance brought Forward from Prior Year	$ 3,495,419	$ 3,432,118
Adjustments to Budgetary Resources Made During Current Year		
Downward Adjustments of Prior Year Orders	75,143	72,776
	75,143	72,776
Unobligated Budgetary Resources from Prior Year Budget Authorities	**$ 3,570,562**	**$ 3,504,894**

The table below documents there are no differences between the FY 2023 Statement of Budgetary Resources and the actual amounts reported for FY 2023 in the Budget of the U.S. Government released in 2024. Since the FY 2024 financial statements will be reported prior to the release of the Budget of the U.S. Government, MCC is reporting for FY 2023 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 2024 actual data will be available on https://www.whitehouse.gov/omb/budget/.

(in thousands)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	$ 4,335	$ 839	$ (730)
Other - Rounding	-	-	-
Budget of the U.S. Government	**$ 4,335**	**$ 839**	**$ (730)**

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, 2024, and 2023, respectively is comprised as follows:

Undelivered Orders at End of Period

(in thousands)	FY 2024	FY 2023
Intragovernmental		
Paid	$ 1,561	$ 2,157
Unpaid	6,206	5,668
Total Intragovernmental	7,767	7,825
Other than Intragovernmental		
Paid	88,886	68,193
Unpaid	3,100,309	2,126,899
Total Other than Intragovernmental	3,189,195	2,195,092
Total	**$ 3,196,962**	**$ 2,202,917**

Note 13 – 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, 2024

(in thousands)	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost	**$ 39,016**	**$ 669,280**	**$ 708,296**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(1,262)	(1,262)
Right-To-Use Lease Amortization	-	(7,688)	(7,688)
Property, Plant, and Equipment Disposals and Revaluation	-	70	70
Increase/(Decrease) in Assets:			
Accounts Receivable, net	-	17	17
Other Assets	(596)	20,693	20,097
(Increase)/Decrease in Liabilities:			
Accounts Payable	1,239	2,885	4,124
Federal Employee Salary, Leave, and Benefits Payable	-	(1,698)	(1,698)
Other Liabilities	(348)	-	(348)
Grant Accrual Liability	-	8,239	8,239
Financing Sources:			
Imputed Cost	(5,720)	-	(5,720)
Total Components of the Net Operating Cost Not Part of the Budget Outlays	**(5,425)**	**21,256**	**15,831**
Components of the Budget Outlays that are Not Part of the Net Operating Cost			
Right-To-Use Lease Principal Outlay	-	7,309	7,309
Financing Sources:			
Donated Services	-	(103)	(103)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**-**	**7,206**	**7,206**
Misc. Items			
Acquisition of Capital Assets	-	3	3
Total Other Reconciling Items		**3**	**3**
Total Net Outlays (Calculated Total)	**$ 33,591**	**$ 697,745**	**$ 731,336**
Budgetary Agency Outlays, Net			**$ 731,336**

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

(in thousands)	Intragovernmental	Other than Intragovernmental Reclassified	Total Reclassified
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 Salary, Leave, and Benefits payable	-	(772)	(772)
Other Liabilities	1,121	1,012	2,133
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**

Note 14 - Subsequent Events

On October 17, 2024, MCC entered into a $458.0 million compact agreement with the Republic of Zambia; $57.2 million was obligated on signing the agreement and $400.8 million was recognized as a commitment.

On November 4, 2024, MCC entered into an agreement to modify the current office building lease to extend the term of the lease through FY 2037 and reduce the square footage leased. The full impact of the modification will be reflected in the financial statements for the year ended September 30, 2025.

Note 15 - 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 US Standard General Ledger 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 2023 Financial Report can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2024 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, 2024			
FY 2024 MCC Statement of Net Cost		Line Items Used to Prepare FY 2024 Government-wide Statement of Net Cost	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement
(in thousands)			
Gross Costs	$ 709,606		
			Non-Federal Costs
		$ 669,354	Non-Federal Gross Cost
		669,354	**Total Non-Federal Costs**
			Intragovernmental Costs
		13,787	Benefit Program Costs
		5,720	Imputed Costs
		16,685	Buy/Sell Costs
		4,060	Other Expenses (w/o Reciprocal)
		40,252	**Total Intragovernmental Costs**
Total Gross Costs	709,606	709,606	
Earned Revenue	(1,310)		**Earned Revenue**
		(1,236)	Federal Earned Revenue
		(74)	Non-Federal Earned Revenue
Total Earned Revenue	(1,310)	(1,310)	
Net Cost	**$ 708,296**	**$ 708,296**	**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, 2024			
FY 2024 MCC Statement of Changes in Net Position		Line Items Used to Prepare FY 2024 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	$ 5,694,453	$ 5,694,453	Unexpended Appropriations, Beginning Balance
Corrections of Errors	(11)	(11)	Corrections of Errors
Appropriations Received	930,000	930,000	Appropriations Received
Other Adjustments	(475,000)	(475,000)	Other Adjustments
Appropriations Used	(701,566)	(701,566)	Appropriations Used
Total Unexpended Appropriations	$ 5,447,876	$ 5,447,876	**Total Unexpended Appropriations**
Cumulative Results of Operations			
Cumulative Results, Beginning Balance	$ (4,009)	$ (4,009)	Cumulative Results, Beginning Balance, as adjusted
Changes in Accounting Principles	2,636	2,636	Changes in Accounting Principles
Corrections of Errors	11	11	Corrections of Errors
Beginning Balance, as Adjusted	(1,362)	(1,362)	
Appropriation Used	701,566	701,566	Appropriation Used
Non-Exchange Revenues		102	Non-Federal Non-Exchange Revenues
Donations and Forfeitures of Property	102	-	Donations and Forfeitures of Property
Imputed Financing	5,720	5,720	Financing Sources
Other Adjustments	-	-	Other Adjustments
Total Donations, Transfers, & Imputed Financing	5,822	5,822	**Total Financing Sources**
Net Cost of Operations	(708,296)	(708,296)	**Net Cost of Operations**
Ending Balance - Cumulative Results of Operations	(2,270)	(2,270)	**Cumulative Results of Operations**
Total Net Position	**$ 5,445,606**	**$ 5,445,606**	**Net Position**