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

Audit of MCC's Financial Statements for Fiscal Years 2026 and 2025

Audit Report 0-MCC-27-002-C
November 13, 2026



Office of Audits, Inspections, and Evaluations

MEMORANDUM

DATE: November 13, 2026

TO: Abdel Maliky
Acting Vice President, Department of Administration and Finance
Millennium Challenge Corporation

FROM: Khadija Walker /s/
Deputy Assistant Inspector General for Audits, Inspections, & Evaluations

SUBJECT: Audit of MCC's Financial Statements for Fiscal Years 2026 and 2025 (0-MCC-27-002-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC) financial statements for fiscal years 2026 and 2025. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Williams Adley & Company DC LLP (WA) to conduct the audit for fiscal year 2026. 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 the MCC's financial statements. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. Based on our review, we found no instances in which the audit firm 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, 2026, 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 objectives, the audit firm assessed risk, considered internal controls, and designed audit procedures relevant to MCC's fair presentation of its 2026 financial statements.

Williams Adley concluded that MCC's financial statements for the fiscal year ending September 30, 2026, are presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles. Further, the audit firm found no reportable noncompliance with applicable laws, regulations, contracts, and grant agreements, and no material weaknesses in

internal control. However, Williams Adley reported one significant deficiency in internal control over financial reporting related to Accountable Entity audits.

As we reported in December 2025, RMA Associates LLC audited MCC's financial statements as of September 30, 2025, and concluded that the financial statements were presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles.[1] 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.

To address the significant deficiency identified in Williams Adley's audit report, we recommend that MCC's Department of Administration and Finance:

Recommendation 1. Work jointly with Accountable Entities with overdue audits to conduct a root cause analysis to identify factors contributing to delays in the audit process. Based on the findings, MCC and the Accountable Entity should outline specific actions to address identified issues, assign responsibility for implementing corrective measures, and establish target completion dates to facilitate the timely completion and submission of audit reports.

Recommendation 2. Implement a more structured and proactive audit monitoring framework that includes defined checkpoints for each stage of the MCA audit cycle (audit plan submission, audit firm procurement, audit execution, and report review). This framework should incorporate early-warning triggers for missed milestones, require MCAs to provide periodic status updates, and empower MCC to intervene when delays emerge.

Recommendation 3. Evaluate its Accountable Entity audit cycle framework and implement changes to streamline the procurement and completion of audits on a timely basis.

In finalizing the report, the audit firm evaluated MCC's responses to the recommendations. After reviewing that evaluation, we consider recommendations 1, 2, and 3, resolved but open pending completion of planned activities.

For recommendations 1, 2, and 3, please provide evidence of final action to OIGAuditTracking@oig.usaid.gov.

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

[1] See USAID OIG, *Audit of MCC's Financial Statements for Fiscal Year 2025* (0-MCC-26-001-C), December 18, 2025.

WILLIAMS ADLEY

Independent Auditor's Report

The Board of Directors
Millennium Challenge Corporation

The Inspector General
United States Agency for International Development

In our audit of the fiscal year 2026 financial statements of the Millennium Challenge Corporation (MCC), we found:

- MCC's financial statements as of and for the fiscal year ended September 30, 2026, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP);
- there were no material weaknesses in internal control over financial reporting based on the limited procedures we performed;[1] and
- there were no reportable instances of noncompliance for fiscal year 2026 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 an emphasis-of-matter paragraph related to the fiscal year 2026 presentation, 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 *Government Auditing Standards* issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, we have audited MCC's financial statements. MCC's financial statements include the balance sheets as of September 30, 2026; 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 (hereinafter referred to as the "financial statements"). In our opinion, MCC's financial statements present fairly, in all material respects,

[1] A material weakness is a deficiency, or combination of deficiencies, in internal controls 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", which is included with the financial statements.

[3] Other information includes all information included in the Annual Management Report (AMR), other than the RSI, financial statements and footnotes, and the auditor's report.

MCC's financial position as of September 30, 2026, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with GAAP.

Basis for Opinion

We conducted our audit 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 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.

Emphasis-of-Matter

As discussed in Note 1 – Summary of Significant Accounting Policies to the financial statements, MCC implemented the revised financial reporting framework as required by OMB Circular A-136, *Financial Reporting Requirements*, for fiscal year 2026. The revised framework requires a two-year comparative financial statements presentation of current and prior fiscal year financial data, rather than the single-year financial statements presentation required in the prior fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements as of and for the year ended September 30, 2025, were audited by other auditors, whose report dated December 12, 2025, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

MCC 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 that information is consistent with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal controls 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 were 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; however, it 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 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 aggregate, they would influence a reasonable user based on the financial statements.

In performing this 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 designed and performed audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures listed in the financial statements in order to obtain audit evidence that provided a sufficient and appropriate basis for our opinion.
- Obtain an understanding of internal controls 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 the accounting policies used, the reasonableness of significant accounting estimates made by management, and the overall presentation of the financial statements.
- Perform other procedures we considered necessary under 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 statements audit.

Required Supplementary Information

U.S. generally accepted accounting principles, issued by the Federal Accounting Standards Advisory Board (FASAB), require the RSI to be presented as a supplement to the financial statements. MCC management is responsible for such information 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 MCC management about their methods for preparing the RSI and (2) comparing the RSI for consistency with MCC management's responses to the auditor's 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 the purposes of additional analysis and is not a required part of the financial statements or the RSI. MCC management is responsible for the other information included in MCC's AMR. The other information consists of information included within the AMR that are not RSI, the financial statements and footnotes, and our report. 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 audit of MCC's financial statements, we considered MCC's 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 fiscal year 2026 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

As discussed in *Appendix I*, our audit identified one significant deficiency in MCC's internal control over financial reporting pertaining to Accountable Entity audits for active Compacts.

In addition to the significant deficiency, we also identified four deficiencies in MCC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. However, these deficiencies warrant MCC management's attention. We have communicated these matters to MCC management and, where appropriate, will report on them separately.

[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.

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 OMB[5]

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, 2026, in accordance with U.S. generally accepted government auditing standards, we considered MCC's internal control relevant to the financial statements 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 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 which are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with GAAP, 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. This report is not intended 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

[5] 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.

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.

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

In connection with our audit 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 2026 that would be reportable under U.S. generally accepted government auditing standards. 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 have occurred 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.

Agency Comments

In commenting on a draft of this report, MCC's management provided a written response which is presented in *Appendix II*. We did not audit MCC's response and, accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 9, 2026

Appendix I: Significant Deficiency

I. Accountable Entity Audits

Condition: Annual Accountable Entity audits were not consistently conducted and submitted in accordance with MCC's annual audit requirements. MCC policy requires Accountable Entities that meet certain criteria to obtain annual financial audits and submit completed audit reports within established timeframes to provide timely assurance over Compact funds. Our review of audit activity for all six Compacts active during fiscal year 2026 identified widespread delays in the completion and submission of required audits.

Specifically, all six Accountable Entities with active compacts failed to submit recent audit reports by the required due date. The delays ranged from 48 days to 415 days (with the most recent reports for Senegal II and Kosovo not yet submitted), indicating that untimely audit reporting is not limited to isolated cases but is occurring across multiple Accountable Entities and geographic regions.

MCA	Audit Period Start	Audit Period End	Due Date	Audit Report Submitted	Days Late
Mongolia II	4/1/2024	3/31/2025	7/29/2025	9/15/2025	48
Nepal	4/1/2024	3/31/2025	7/29/2025	12/1/2025	125
Indonesia II	2/4/2021	9/30/2024	1/28/2025	12/3/2025	309
Indonesia II	10/1/2024	9/30/2025	1/28/2026	9/8/2026	223
Kosovo	10/18/2019	12/31/2024	4/30/2025	2/23/2026	299
Kosovo	1/1/2025	12/31/2025	4/30/2026	N/A	N/A
Senegal II	4/1/2024	3/31/2025	7/29/2025	9/17/2026	415
Senegal II	4/1/2025	3/31/2026	7/29/2026	N/A	N/A
Benin (Regional)	4/6/2022	12/31/2025	4/30/2026	6/17/2026	48

Criteria: MCC's *Accountable Entities Audit Policy & Guidelines for Contracted Financial Audits*, Section 1.33, *Accountable Entity & Foreign Organizations Responsibilities of Audits*, states:

"Audits of MCC funds provided to an Accountable Entity or foreign organization are to be performed by an IPA [Independent Public Accounting] firm in accordance with Government Auditing Standards. The Accountable Entity or foreign organization must ensure that all records are available to the IPA firms, all accounting entries and adjustments are made properly, and all other necessary steps are taken to enable the auditors to complete their work. For annual audits, draft audit reports must be issued no later than 120 days following the end of the audit period end date and no later than 120 days after the end of each audited period thereafter. If determined by MCC to be necessary, semi-annual audits draft audit reports must be issued no later than 90 days after following the end of the audit period end date and no later than 90 days after the end of each audited period thereafter. When the grant agreement requires an annual audit or semi-annual audit, the Accountable Entity must meet the $1,000,000 disbursement threshold in the FY [Fiscal Year]. These audit requirements apply to all types of grant agreements, including compact, CDF [Compact Development Funding], and threshold programs grant agreement. If the disbursements are below the $1,000,000 audit threshold, MCC may determine an audit is warranted, based upon a need to mitigate risk, or prevent fraud, waste, and abuse, among other reasons. If audit is

warranted, MCC would require the Accountable Entity or foreign organization to document their audit process through an approved Audit Plan."

Cause: The delays in Accountable Entity audit report issuance stem from long-standing structural and procedural weaknesses within MCC's audit oversight framework. Although the fiscal year 2025 funding pause temporarily disrupted audit activities during that year, this issue predates the pause and reflects broader deficiencies in MCC's audit management processes. MCC's current multi step audit workflow requires the timely onboarding of vetted audit firms, submission and approval of required documents as well as active monitoring to ensure overall timely finalization of audits. In practice, certain critical steps often occur later than planned, with all dependencies not being tracked rigorously, and delays at any stage, challenges can cascade into missed audit deadlines.

Additionally, MCC has not consistently enforced annual audit requirements or established mechanisms to identify and correct emerging timeline slippage early in the process. As a result, Accountable Entities frequently initiate the audit cycle late, encounter procurement and approval bottlenecks, and ultimately fail to meet MCC's mandated timeline, contributing to chronic delays even in years without external disruptions.

Effect: The lack of timely Accountable Entity audits diminishes MCC's ability to obtain reliable, up to date assurance over the use of program funds, increases the risk that financial misstatements, noncompliance with MCC requirements, procurement deficiencies, and unsupported costs go undetected, and delays the identification and correction of control weaknesses at the Accountable Entity level.

Untimely audits also impede MCC's capacity to make informed oversight decisions, complicate grant management and closeout activities, and increase the likelihood of cumulative reporting backlogs that become more difficult to reconcile over time. Collectively, these deficiencies heighten MCC's exposure to financial, operational, and reputational risk and undermine the effectiveness of MCC's accountability framework.

Recommendation: Williams Adley recommends MCC Leadership:

1. Work jointly with Accountable Entities with overdue audits to conduct a root cause analysis to identify factors contributing to delays in the audit process. Based on the findings, MCC and the Accountable Entity should outline specific actions to address identified issues, assign responsibility for implementing corrective measures, and establish target completion dates to facilitate the timely completion and submission of audit reports.
2. Implement a more structured and proactive audit monitoring framework that includes defined checkpoints for each stage of the Accountable Entity audit cycle (audit plan submission, audit firm procurement, audit execution, and report review). This framework should incorporate early-warning triggers for missed milestones, require Accountable Entities to provide periodic status updates, and empower MCC to intervene when delays emerge.
3. Evaluate its Accountable Entity audit cycle framework and implement changes to streamline the procurement and completion of audits on a timely basis.

Appendix II: Management's Response

MILLENNIUM CHALLENGE CORPORATION
UNITED STATES OF AMERICA

DATE: November 10, 2026

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: Abdel Maliky /s/
Acting 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 2025 and 2026," dated November 9, 2026

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 2025 and 2026," dated November 9, 2026. This is the sixteenth consecutive clean audit issued to MCC and is a result of the dedication of MCC staff, MCA partners, and the OIG as we all remain focused on safeguarding the American tax-payer dollar.

MCC concurs with the conclusions of the report, and provides a management response to the recommendations below:

OIG Recommendation 1: Work jointly with Accountable Entities with overdue audits to conduct a root cause analysis to identify factors contributing to delays in the audit process. Based on the findings, MCC and the Accountable Entity should outline specific actions to address identified issues, assign responsibility for implementing corrective measures, and establish target completion dates to facilitate the timely completion and submission of audit reports.

MCC Response: MCC concurs with the recommendation. MCC will conduct the analysis, outline specific actions to address identified issues, assign responsibility for implementing

corrective measures, and establish target completion dates to facilitate the timely completion and submission of audit reports by May 31, 2027.

Recommendation 2: Implement a more structured and proactive audit monitoring framework that includes defined checkpoints for each stage of the MCA audit cycle (audit plan submission, audit firm procurement, audit execution, and report review). This framework should incorporate early-warning triggers for missed milestones, require MCAs to provide periodic status updates, and empower MCC to intervene when delays emerge.

MCC Response: MCC concurs with the recommendation and will implement a more structured and proactive audit monitoring framework that includes defined checkpoints for each stage of the MCA audit cycle (audit plan submission, audit firm procurement, audit execution, and report review). The agency will ensure that the framework incorporates early-warning triggers for missed milestones, requires MCAs to provide periodic status updates, and empowers MCC to intervene when delays emerge. This will be completed by December 31, 2027.

Recommendation 3: Evaluate its AE audit cycle framework to streamline the procurement and completion of audits on a timely basis.

MCC Response: MCC concurs with the recommendation and will evaluate its AE audit cycle framework to streamline the procurement and completion of audits on a timely basis by December 31, 2027.

If you have any questions, or require additional information, please contact Michael Wright at 202-521-3648 or by email at wrightmj@mcc.gov and Lori Giblin, Chief Risk Officer, by email at giblinlm@mcc.gov.

CC: Damian Wilson, Audit Director, OIG, USAID
Davida Wilhelm, Assistant Audit Director, OIG, USAID
Anna Elias, Assistant Audit Director, OIG, USAID
Abdel Maliky, Deputy Vice President, A&F, MCC
Jason Small, Acting Vice President Compact Operations, DCO, MCC
Kevin Mitchell, Managing Director Sector Operations, DCO/SEC-FISC
Kelci Ibrahim, Acting Managing Director, FMD, A&F, MCC
Lori Giblin, Chief Risk Officer, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC



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 29, 2026). The financial statements should be read with the understanding that they are for a component of the USG, a sovereign entity. 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 SHEET

As of September 30, 2026, and 2025 (in thousands)

	FY 2026	FY 2025
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury *(Note 2)*	$ 5,244,323	$ 5,641,584
Advances and Prepayments	853	888
Total Intragovernmental Assets	5,245,176	5,642,472
Other than Intragovernmental Assets:		
Accounts Receivable, net *(Note 3)*	7	7
Property, Plant, and Equipment, net *(Note 4)*	34,970	41,344
Advances and Prepayments	167,320	82,683
Total Other than Intragovernmental Assets	202,297	124,034
Total Assets	**$ 5,447,473**	**$ 5,766,506**
Liabilities *(Note 5)* :		
Intragovernmental Liabilities:		
Accounts Payable	$ 2,343	$ 507
Other Liabilities *(Note 6)*	440	645
Total Intragovernmental Liabilities	2,783	1,152
Other than Intragovernmental Liabilities:		
Accounts Payable	9,458	6,128
Federal Employee Salary, Leave, and Benefits Payable *(Note 7)*	7,927	10,514
Other Liabilities:		
Accrued Grant Liabilities *(Note 9)*	57,806	126,783
Other *(Note 6)*	43,634	45,149
Total Other than Intragovernmental Liabilities	118,825	188,574
Total Liabilities	121,608	189,726
Commitment and Contingencies *(Note 10)*		
Net Position:		
Unexpended Appropriations-Funds from Other than Dedicated Collections	5,338,081	5,581,247
Total Unexpended Appropriations	5,338,081	5,581,247
Cumulative Results of Operations-Funds from Other than Dedicated Collections	(12,216)	(4,467)
Total Cumulative Results of Operations	(12,216)	(4,467)
Total Net Position	5,325,865	5,576,780
Total Liabilities and Net Position	**$ 5,447,473**	**$ 5,766,506**

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

For the Years Ended September 30, 2026, and 2025 (in thousands)

	FY 2026	FY 2025
Gross Program Costs	$ 309,556	$ 662,266
Less: Earned Revenue	-	(918)
Net Program Costs	309,556	661,348
Costs Not Assigned to Programs	114,772	145,239
Less: Earned Revenue	-	(316)
Net Costs Not Assigned to Programs	114,772	144,923
Net Cost of Operations	**$ 424,328**	**$ 806,271**

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2026, and 2025 (in thousands)

	FY 2026	FY 2025
Unexpended Appropriations		
Beginning Balance	$ 5,581,247	$ 5,447,876
Adjustments:		
Corrections of Errors	-	-
Beginning Balance, as adjusted	5,581,247	5,447,876
Appropriations Received	168,750	930,000
Appropriations Used	(411,916)	(796,629)
Net Change in Unexpended Appropriations	(243,166)	133,371
Total Unexpended Appropriations	**5,338,081**	**5,581,247**
Cumulative Results of Operations:		
Beginning Balances	(4,467)	(2,270)
Adjustments:		
Beginning Balance, as adjusted	(4,467)	(2,270)
Other Adjustments	-	(1)
Appropriations Used	411,916	796,629
Nonexchange revenue	-	1
Donations services	6	-
Imputed financing	4,657	7,445
Net Cost of Operations	(424,328)	(806,271)
Net Change in Cumulative Results of Operations	(7,749)	(2,197)
Total Cumulative Results of Operations	**(12,216)**	**(4,467)**
Net Position	**$ 5,325,865**	**$ 5,576,780**

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2026, and 2025 (in thousands)

	FY 2026	FY 2025
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, net *(Note 11)*	$ 3,493,179	$ 2,299,158
Appropriations	168,750	930,000
Total Budgetary Resources	**$ 3,661,929**	**$ 3,229,158**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (total)	$ 352,551	$ 487,932
Unobligated Balance, end of year		
Apportioned, Unexpired accounts	2,558,629	2,709,718
Unapportioned, Unexpired accounts	750,749	31,508
Unexpired Unobligated Balance, end of year	3,309,378	2,741,226
Unobligated Balance, end of year (total)	3,309,378	2,741,226
Total Budgetary Resources	**$ 3,661,929**	**$ 3,229,158**
Outlays, Net		
Outlays, net (total)	**$ 566,010**	**$ 779,749**

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 program 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 13 - 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 are transactions 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, 2025, MCC adopted Statement of Federal Financial Accounting Standard 64, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15* (SFFAS 64). SFFAS 64 updated the guidance for management's discussion and analysis (MD&A), providing a principle-based approach that merges and updates relevant content from Statement of Federal Financial Accounting Concepts 3, *Management's Discussion and Analysis*. The accounting standard did not have any impact on the accounting for budgetary activity.

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 program grant 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 as 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 work 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 lease liability, with an interest component expensed. Amortization of these right-to-use assets is 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 are recognized as expense based on the payment provisions of the lease and applicable accrual accounting requirements.

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 $43,634.0 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

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 Balance Sheet dates. Noncurrent

liabilities represent liabilities that MCC does not expect to be settled within 12 months of the Balance Sheet dates.

M. Accounts Payable

Accounts Payable include amounts owed but not yet paid to intragovernmental and with the public entities for goods and services received by MCC. MCC estimates and records an accrual 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.

Note 2 – Fund Balance with Treasury

As of September 30, 2026, and 2025, respectively, FBWT was comprised as follows:

(in thousands)	FY 2026	FY 2025
Unobligated Balance		
Available	$ 2,558,629	$ 2,709,719
Unavailable	750,748	31,507
Obligated Balance not yet Disbursed	1,934,945	2,900,357
Non-Budgetary FBWT	-	1
Total	**$ 5,244,323**	**$ 5,641,584**

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, 2026, and 2025, respectively, were $7 thousand (net of allowance for doubtful accounts of $3,351 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, 2026, and 2025, respectively General Property, Plant and Equipment, net is comprised as follows:

General Property, Plant, and Equipment, net as of September 30, 2026

(in thousands)	Estimated Useful Life	Cost	Accumulated Depreciation / Amortization	Book Value
Leasehold Improvements	10.0 years	$ 6,899	$ (6,899)	$ -
Furniture	10.0 years	3,658	(3,658)	-
Internal Use Software	5.0 years	15,094	(15,094)	-
Right-To-Use Lease Asset - Building	12 years and 5 months	36,609	(4,955)	31,654
Right-To-Use Lease Asset - Oversea Leases	Up to 30 years	5,517	(2,201)	3,316
Total		**$ 67,777**	**$ (32,807)**	**$ 34,970**

General Property, Plant, and Equipment, net as of September 30, 2025

(in thousands)	Estimated Useful Life	Cost	Accumulated Depreciation / Amortization	Book Value
Leasehold Improvements	10 years	$ 8,392	$ (8,250)	$ 142
Furniture	10 years	3,788	(3,725)	63
Internal Use Software	5 years	15,094	(15,094)	-
Vehicles	5 years	111	(111)	-
Right-To-Use Lease Asset - Building	1.2 years	38,254	(2,567)	35,687
Right-To-Use Lease Asset - Oversea Leases	Up to 30 years	7,122	(1,670)	5,452
Total		**$ 72,761**	**$ (31,417)**	**$ 41,344**

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

(in thousands)	FY 2026	FY 2025
Balance beginning of the year, unadjusted	$ 41,344	$ 15,136
Balance beginning of year, adjusted	41,344	15,136
Capitalized of Right-To-Use Lease Assets acquisitions	1,258	40,500
Modifications of Right-To-Use Lease Assets acquisitions	(3,004)	-
Dispositions of Right-To-Use Lease Assets acquisitions	(427)	(8,279)
Amortization of Right-To-Use Lease Assets, current year	(3,994)	(4,778)
Depreciation and Amortization Expense	(207)	(1,235)
Balance at End of Year	**$ 34,970**	**$ 41,344**

Note 5 – Liabilities Not Covered by Budgetary Resources

As of September 30, 2026, and 2025, respectively, liabilities not covered by budgetary resources, respectively, are comprised as follows:

(in thousands)	FY 2026	FY 2025
Intragovernmental		
Other Unfunded Unemployment Related Benefits	$ 2	$ 139
Total Intragovernmental	2	139
Other than Intragovernmental		
Annual Leave Liability	3,920	4,249
Lease Liability	43,634	45,149
Total Liabilities Not Covered by Budgetary Resources	47,554	49,398
Total Liabilities Covered by Budgetary Resources	74,052	140,189
Total Liabilities Not Requiring Budgetary Resources	-	-
Total Liabilities	**$ 121,608**	**$ 189,726**

Note 6 – Other Liabilities

MCC's other liabilities as of September 30, 2026, and 2025, respectively, are comprised as follows:

Other Liabilities as of September 30, 2026

(in thousands)	Non-Current Liabilities	Current Liabilities	Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ -	$ 349	$ 349
Unemployment Related Benefits	-	91	91
Liability to the General Fund of the US Government for Custodial and other Non-entity Assets	-	-	-
Total Intragovernmental Other Liabilities	-	**440**	**440**
Other than Intragovernmental :			
Lease Liability	43,634	-	43,634
Total Other Liabilities Other than Intragovernmental	**43,634**	-	**43,634**
Total Other Liabilities	**$ 43,634**	**$ 440**	**$ 44,074**

Other Liabilities as of September 30, 2025

(in thousands)	Non-Current Liabilities	Current Liabilities	Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ -	$ 504	$ 504
Unemployment Related Benefits	-	140	140
Liability to the General Fund of the US Government for Custodial and other Non-entity Assets	-	1	1
Total Intragovernmental Other Liabilities	-	**645**	**645**
Other than Intragovernmental :			
Lease Liability	45,149	-	45,149
Total Other Liabilities Other than Intragovernmental	**45,149**	-	**45,149**
Total Other Liabilities	**$ 45,149**	**$ 645**	**$ 45,794**

Note 7 – Federal Employee Benefits Payable

As of September 30, 2026, and 2025, respectively, Federal Employee Benefits Payable, are comprised as follows:

(in thousands)	FY 2026	FY 2025
Annual Unfunded Leave Liability	$ 3,920	$ 4,250
Accrued Funded Payroll and Leave	3,944	6,192
Employer Contributions and Payroll Taxes Payable	63	72
Total Liabilities	**$ 7,927**	**$ 10,514**

Note 8 – Leases

MCC leases office space in a building in Washington, DC. The lease is for a 12-year and five-month lease term with an effective date of December 1, 2024, and a termination date of April 30, 2037. The lease includes a rent-free period of 17 months at the beginning of the lease term. During FY 2026, MCC elected to exercise an option to extend the rent-period for approximately another five months. As a result of the election MCC remeasured the lease liability and reduced the liability previously recorded as a result of the remeasurement. The termination liability as of September 30, 2026, was $15,092 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 4.25% 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 the 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, 2026, there were over 14,000 leases established within the overseas housing pools. Of those, over 12,500 leases met the definition of Right-To-Use (RTU) 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 3.49% - 5.27% as of September 30, 2026.

The combined lease expense recognized for the year ended September 30, 2026, totaled $5,869 thousand – with $978 thousand attributable to the allocated housing pool.

The future lease payments as of September 30, 2026, due under the building and short-term leases are set out below with the exception of the overseas housing pool which is as of September 30, 2026:

Future Lease Payments Due

Right to use leases

(in thousands)

Fiscal Year	Asset Category						Total
	Franklin Court			Oversea Leases - House Pool			
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	
FY 2027	$ 2,500	1,637	$ 4,137	$ 685	$ 162	$ 847	$ 4,984
FY 2028	2,721	1,527	4,248	614	136	750	4,998
FY 2029	2,954	1,406	4,360	536	111	647	5,007
FY 2030	3,201	1,276	4,477	453	89	542	5,018
FY 2031	3,461	1,135	4,596	307	71	378	4,974
After FY 2031	24,813	3,185	27,998	1,366	358	1,724	29,722
Total Future Lease Payment	**$ 39,650**	**$ 10,166**	**$ 49,816**	**$ 3,960**	**$ 928**	**$ 4,888**	**$ 54,704**

Short-term leases

(in thousands)

FY 2027	$ 3	$ 48	$ 51	$ -	$ 51
FY 2028	-	48	48	-	48
FY 2029	-	48	48	-	48
FY 2030	-	48	48	-	48
FY 2031	-	48	48	-	48
After FY 2031	-	96	96	-	96
Total Future Lease Payments	**$ 3**	**$ 336**	**$ 339**	**$ -**	**$ 339**

Note 9 – Accrued Grant Liabilities

As of September 30, 2026, and 2025, respectively, Accrued Grant Liabilities are comprised as follows:

(in thousands)	FY 2026	FY 2025
Grant Accrual	$ 42,627	$ 77,972
Retentions	15,179	48,811
Total	**$ 57,806**	**$ 126,783**

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, 2026, MCC had commitments for the Cote d'Ivoire Regional Compact, Mozambique II, Sierra Leone, and Zambia II compacts and Philippines Threshold Program totaling on a combined basis $ 1,620,466 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, A*ccounting 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 which is recorded by the AE at the time the guarantee payment is received. As of September 30, 2026, four AEs had agreements subject to performance guarantees which in aggregate are not to exceed $81,968 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 2026 a permanent reduction of $661.3 million was made to MCC's budgetary resources under Public Law (P.L.) 119-75. 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, 2026, and 2025, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2025, and 2004, respectively. These adjustments are comprised of downward adjustments to undelivered orders that were obligated in a prior fiscal year.

The adjustments for the years ending September 30, 2026, and 2025, are presented below:

(in thousands)	FY 2026	FY 2025
Unobligated Balance Bought Forward from Prior Year	$ 2,741,227	$ 2,256,210
Adjustments to Budgetary Resources Made During Current Year		
Downward Adjustments of Prior Year Orders	751,952	42,948
	751,952	42,948
Unobligated Budgetary Resources from Prior Year Budget Authorities	**$ 3,493,179**	**$ 2,299,158**

The table below documents that there are no differences between the FY 2025 Statement of Budgetary Resources and the actual amounts reported for FY 2025 in the Budget of the U.S. Government released in 2026. Since the FY 2026 financial statements will be reported prior to the release of the Budget of the U.S. Government, MCC is reporting for FY 2025 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 2026 actual data will be available on https://www.whitehouse.gov/omb/budget/

(in millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	$ 3,229	$ 488	$ (780)
Other - Rounding	-	-	-
Budget of the U.S. Government	**$ 3,229**	**$ 488**	**$ (780)**

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, 2026, and 2025, respectively, are comprised as follows:

(in thousands)	FY 2026	FY 2025
Intragovernmental		
Paid	$ 853	$ 887
Unpaid	7,480	7,344
Total Intragovernmental	8,333	8,231
Other than Intragovernmental		
Paid	167,320	82,684
Unpaid	1,853,416	2,752,809
Total Other than Intragovernmental	2,020,736	2,835,493
Total	**$ 2,029,069**	**$ 2,843,724**

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, 2026

(in thousands)	Intra-governmental	Other than Intra-governmental	Total
Net Operating Cost	**$ 33,348**	**$ 390,981**	**$ 424,328**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(206)	(206)
Property, plant, and equipment disposals and revaluations	-	(2,173)	(2,173)
Right-to-Use Lease Amortization	-	(3,994)	(3,994)
Increase/(decrease) in assets:			
Other Assets	(35)	84,637	84,602
(Increase)/decrease in liabilities:			
Accounts payable	(1,836)	(3,330)	(5,165)
Federal Employee Salary, Leave, and Benefits Payable	-	2,587	2,587
Other Liabilities	204	68,977	69,182
Financing sources:			
Imputed Cost	(4,658)	-	(4,658)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(6,325)	146,498	140,173
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Right-to-Use Lease Principal Outlay	-	1,515	1,515
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	1,515	1,515
Misc Items:			
Other	(1)	(6)	(7)
Total Other Reconciling Items	(1)	(6)	(7)
Total Net Outlays (Calculated Total)	**$ 27,022**	**$ 538,988**	**$ 566,010**
Budgetary Agency Outlays, net			**$ 566,010**

Reconciliation of Net Cost to Net Outlays for the Year Ended September 30, 2025

(in thousands)	Intra-governmental	Other than Intra-governmental	Total
Net Operating Cost	**$ 39,887**	**$ 766,384**	**$ 806,271**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(1,235)	(1,235)
Property, plant, and equipment disposals and revaluations	-	126	126
Right-to-Use Lease Amortization	-	(4,778)	(4,778)
Increase/(decrease) in assets:			
Accounts Receivable, net	-	(11)	(11)
Other Assets	(673)	(6,201)	87,002
(Increase)/decrease in liabilities:			
Accounts payable	(504)	2,726	(2,651)
Federal Employee Salary, Leave, and Benefits Payable	-	701	701
Other Liabilities	3,019	-	
Grant Accrual Libility	-	(13,196)	62,278
Financing sources:			
Imputed Cost	(7,445)	-	(7,445)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(5,603)	(21,868)	(27,471)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Right-to-Use Lease Principal Outlay	-	948	948
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	948	948
Misc Items:			
Other	1	-	1
Total Other Reconciling Items	1	-	- 1
Total Net Outlays (Calculated Total)	**$ 34,285**	**$ 745,464**	**$ 779,749**
Budgetary Agency Outlays, net			**$ 779,749**