



Millennium Challenge Corporation

Annual Management Report

Fiscal Year 2024



MILLENNIUM
CHALLENGE CORPORATION

UNITED STATES OF AMERICA



Compact, Threshold Program and Eligible Countries





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CHALLENGE CORPORATION

UNITED STATES OF AMERICA

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October 1, 2023 - September 30, 2024

Contents

Introduction	3
Message from the Millennium Challenge Corporation’s Chief Executive Officer	4
Management’s Discussion and Analysis (Unaudited).....	5
Mission, Values and Organizational Structure	6
Performance Goals, Objectives, and Results	8
Looking Forward	14
Analysis of MCC’s Financial Statements	16
Limitations of the Financial Statements	20
Analysis of MCC’s Systems, Controls, and Legal Compliance	20
Management Assurances	22
FY 2024 Chief Executive Officer Statement of Assurance	22
Financial Section	23
Financial Statements	24
Notes to the Financial Statements	29
Independent Auditor’s Report.....	47
Other Information (Unaudited)	60
Summaries of Financial Statements Audit and Management Assurances.....	61
Payment Integrity	62
Grant Programs	62
Climate Related Risk	63
Appendix A: Acronyms	64
MCC Welcomes Your Comments	66

Introduction

The Annual Management Report (AMR) for the Millennium Challenge Corporation (MCC) for fiscal year (FY) 2024 provides the results that enable the President, Congress, and the American people to assess MCC's performance for the reporting period beginning October 1, 2023, and ending September 30, 2024. In particular, the AMR provides an overview of MCC's programs, accomplishments, and challenges, and its management's accountability over the resources entrusted to MCC. This report was prepared in accordance with the requirements of the Government Corporations Act and supplemented by the requirements of the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

MCC will prepare an Annual Performance Report (APR) for FY 2024 that will be incorporated into MCC's FY 2026 Congressional Budget Justification (CBJ). The APR, along with the CBJ, is projected to be posted on MCC's website in February 2025. Together, the AMR and APR provide a comprehensive presentation and disclosure of important financial and programmatic information related to MCC's operations and results, including a fair assessment of MCC's leadership and stewardship of the resources entrusted to the agency. Not later than March 31, 2025, MCC will also provide further information related to its activities in an Annual Report to Congress.

All of these reports and related materials will also be made available to the public on MCC's website at www.mcc.gov.

Organization of This Report

The FY 2024 AMR includes a message from the Chief Executive Officer (CEO), followed by three sections and one appendix:

- **Section I: Management's Discussion and Analysis** integrates performance and financial information with key performance results, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems.
- **Section II: Financial Section** contains the financial statements and accompanying notes, and the independent auditor's report.
- **Section III: Other Information** includes MCC's Summary of Financial Statements Audit and Management Assurances, MCC's Payment Integrity Report, and MCC's climate related financial risk.
- **Appendix A** includes a list of acronyms used in this report.

For more information about MCC, visit its website at <http://www.mcc.gov>



Message from the Millennium Challenge Corporation's Chief Executive Officer

November 13, 2024

Over the course of Fiscal Year (FY) 2024, the Millennium Challenge Corporation celebrated its 20th anniversary. Over the last two decades, MCC has worked in nearly 50 countries across multiple sectors -- investing almost 17 billion dollars, in a way that is expected to uplift nearly 400 million people. This year's celebrations served not just as an opportunity for us to reflect on two decades of making an outsized impact in developing countries, but also a time for us to look toward the future. That means leaning into what works, adapting where needed, and continuing to help partner nations reduce poverty through economic growth.

MCC remains committed to this cause. With more than \$5 billion in active compact and threshold programs across 18 countries and 9 more programs in the pipeline, MCC is working with democracies to deliver for people across a wide array of needs, including improved access to education, affordable and consistent electricity, reliable market access, and laws that support gender and inclusion.

Just in FY 2024, the agency signed or entered into force on agreements granting over \$1.8 billion in assistance. MCC signed compacts with Belize (\$125 million) and Sierra Leone (\$480 million), and officially launched programs in Kosovo (\$202 million), Lesotho (\$300 million), Kenya (\$60 million), and Indonesia (\$649 million). Additionally, our Board of Directors approved new partnerships with Philippines, Tanzania, and Cabo Verde. These programs highlight how we plan to set a new path forward that builds on the programs, impact, and learning of MCC's first twenty years.

As a data-driven organization, MCC is designed to adapt. The world -- and especially the countries where MCC works -- faces challenges in climate, conflict, and COVID-19 recovery. MCC is uniquely equipped to meet the moment. The hard work of our teams and partner countries shows the capabilities of MCC's business model; however, we can do more with more. We continue to pursue new legislative authority to bring MCC's tools to bear in more places and we seek to scale up our reach in the years ahead so that we may continue to -- along with our U.S. government sister agencies -- lead by example.

I am pleased to share MCC's Annual Management Report (AMR) for FY 2024 and Management's Responsibility for Enterprise Risk Management (ERM) and Internal Controls--as per the requirements of the Federal Managers' Financial Integrity Act of 1982 and Office of Management and Budget Circular A-123. Both reports concluded that there are no material weaknesses in our operations and the financial and performance data presented reasonably and fairly represent the results of MCC's operation.

As Chief Executive Officer, I am proud of MCC's ongoing commitment to good governance, poverty reduction, and inclusion in our program selection and development. I remain grateful to our staff, stakeholders, and partners for their steadfast work to create meaningful and long-lasting change.

Sincerely,

A handwritten signature in black ink that reads "Alice P. Albright". The signature is written in a cursive, flowing style.

Alice P. Albright
Chief Executive Officer
Millennium Challenge Corporation



Management's Discussion and Analysis (Unaudited)

Mission, Values and Organizational Structure

Mission

The Millennium Challenge Act of 2003, 22 United States Code (U.S.C.) §§7701-7718, established MCC as a government corporation, as defined in 5 U.S.C. §103. MCC's mission is to reduce poverty by supporting sustainable and inclusive economic growth in select developing countries that demonstrate commitment to ruling justly, economic freedom, and investing in people. Ruling justly includes advancing democratic rights and the rule of law, respect for human and civil rights, protection of private property rights, transparency and accountability in governance, and a commitment to fighting corruption. Economic freedom covers policies that enable citizens and firms to participate in global capital markets, promote private sector growth, and limit direct government interference in the economy. Investing in people encompasses investments in education and health care for a country's people, with a particular emphasis on women and children.¹

MCC pursues its mission by providing grant assistance for programs focusing on the binding constraints to economic growth in partner countries. These programs typically also include policy and institutional reforms that are essential to sustainable impact. MCC's approach employs development best practices on selection, country ownership, transparency, and accountability; stimulates policy reform with analysis and data-driven decision-making; and leverages partnerships with donors, the private sector, and other federal agencies engaged in foreign assistance.

Specifically, MCC provides assistance through two types of grants:

- **Compact programs** are bilateral programs with a country that meets MCC's eligibility criteria and is selected for assistance by MCC's Board of Directors. The compact establishes a five-year implementation plan of partnership between the country and MCC to achieve shared development objectives. The compact establishes an assistance program designed by the partner country and MCC to reduce poverty through sustainable economic growth and is built on the principles of country ownership, transparency, and accountability, with input from the private sector, other development partners, and civil society organizations. The compact defines each party's responsibilities and includes benchmarks, timetables, and performance goals and metrics.

In 2018, MCC's statutory authority was expanded to allow for MCC to have 'concurrent compacts' with a country at any time, so long as one of the two compacts facilitates regional economic integration, increased regional trade, or cross-border trade and investment. MCC has used this new authority to strengthen and expand its approach to regional programming and has engaged with a number of partners in the past few years on developing 'regional compacts.' For example, MCC finalized the development of a road and trade program involving Benin and is working with the Government of Côte d'Ivoire to develop an energy sector program to strengthen the country's regional energy role.

- **Threshold programs** are programs for countries that have shown political will and commitment toward improving their policy performance but do not yet meet the criteria necessary to be selected for a compact by MCC's Board of Directors. Thresholds are typically a smaller dollar amount than compacts and focus on support for policy and institutional reforms through technical assistance, capacity building, and selected pilot projects. MCC uses a rigorous, structured diagnostic process to develop threshold programs prior to program design and implementation.

MCC's grants are "high-quality" in that they are large, predictable, multi-year and do not add to a country's debt burden. MCC's governing statute requires MCC to provide assistance in a manner that promotes economic

¹ MCC's statute, § 607(b)(3)(C).

growth and the elimination of extreme poverty. MCC's programs thus focus on the binding constraints to economic growth in a country through a combination of projects and policy and institutional reform in the following sectors: energy; transportation; water supply and sanitation; agriculture and irrigation; governance and land; financial services; and health, education, and community services.

Country ownership is a core MCC principle. MCC's engagement with a partner country often stands as a cornerstone of the U.S. economic relationship in that country—visible proof that U.S. economic assistance leads to tangible results—and helps to create a more attractive environment for private sector led growth. Partner countries generally also make a financial and/or in-kind contribution, a signal of their commitment and ownership of the programs. In an increasingly globalized economy, these investments are a down payment on poverty reduction, increased growth, and stability as well as market opportunities for American businesses.

MCC works closely with the Department of State, the United States Agency for International Development (USAID), United States International Development Finance Corporation (DFC) and other agencies to ensure that MCC programs complement related U.S. government (USG) efforts and therefore maximize the impact of the USG around the world. Strengthening the next generation of emerging markets that will trade and do business with U.S. companies leads to job creation in the United States. As emerging economies prosper in an inclusive manner, they become more stable and secure, a result that promotes U.S. national security interests.

Values

MCC's values define how we operate on a daily basis, both as individuals and as an institution, in pursuit of MCC's mission. Our values identify who we are and what is important to us. They guide how we make decisions, set priorities, address challenges, manage trade-offs, recruit and develop staff, and work together with our partner countries and stakeholders.

MCC's values are **CLEAR**:

Embrace Collaboration — We work together toward clear, common goals with a spirit of creativity and teamwork. We believe that bringing different perspectives to the table leads to the best solutions.

Always Learn — We question assumptions and seek to understand what works, what doesn't, and why. We recognize that failing to reach a goal can be an important learning opportunity, and we apply and share those lessons broadly.

Practice Excellence — We envision MCC as a leader in global development, and we have high standards for ourselves, our partner countries, and the investments we make. We bring out the best in ourselves and in one another to advance the fight against global poverty.

Be Accountable — We own our actions, are honest about our limits and missteps, and hold ourselves and each other responsible for good performance. We are transparent and explain our decisions.

Respect Individuals and Ideas — We are inclusive, act with humility, and value diverse ideas. We listen and foster strong working relationships with our colleagues at MCC, in our partner countries, and throughout the development community.

Organizational Structure

Board of Directors

MCC is overseen by a nine-member Board of Directors that is chaired by the Secretary of State. The Board of Directors also includes the Secretary of the Treasury, who acts as the Vice Chair, the U.S. Trade Representative, the USAID Administrator, MCC's CEO, and four private sector representatives appointed by the President of the United States with the advice and consent of the U.S. Senate. The Board of Directors generally meets four times

each year. Among other responsibilities, the Board provides policy guidance to MCC, makes annual eligibility and selection determinations, and approves compact and threshold programs.

Executive Offices

MCC accomplishes its mission through the executive offices contained in the following organizational chart as of September 30, 2024:

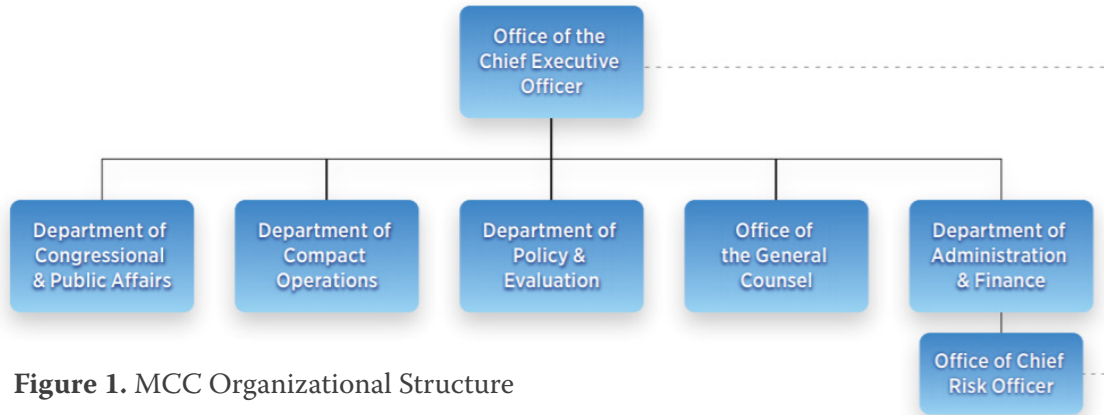


Figure 1. MCC Organizational Structure

Additional details regarding responsibilities of the executive offices may be found at <https://www.mcc.gov/about/org-chart>.

Performance Goals, Objectives, and Results

MCC’s mission is to reduce poverty through economic growth, and the agency utilizes an innovative and tested approach to carry out this mission. MCC’s operations are guided by its founding principles that remain as relevant today as at the time of the agency’s inception 20 years ago. These principles are centered on a competitive selection process that reflects American values and the conditions for economic growth; a business-like approach with bedrock commitments to data, accountability and timelines, cost-benefit analysis and evidence-based decisions, and a laser-focus on creating the right circumstances for private investment. In short, MCC focuses on “what works.”

MCC’s competitive selection process, using a “scorecard” with externally available metrics, assesses candidate countries in the three categories of ruling justly, economic freedoms, and investing in people. MCC works in countries that are committed to democratic governance and rewards transparency and accountability. MCC’s rigorous selection process creates an incentive for countries to improve their policy performance, while also targeting MCC’s funding to those countries that need it most.

To achieve maximum impact and value for money, MCC holds itself to a high standard of accountability for achieving results. MCC’s focus on transparency and accountability for results has been consistently recognized. In July 2024, Publish What You Fund (PWYF)’s 2024 Aid Transparency Index ranked MCC as the world’s most transparent bilateral agency for the third Index in a row. MCC scored third among major international development organizations, highlighting MCC’s commitment to transparent operations, public accountability, and data-driven decision-making. PWYF also ranked MCC as the most transparent U.S. development agency for the ninth consecutive time since the Index was first piloted in 2011.

Strategic Direction

MCC established the following corporate priorities for FY 2024 to guide agency activities:

- **Advance the MCC@20 vision with an eye towards the next 20 years:** Deliver on the MCC@20 vision to uphold and reinforce MCC's model; broaden MCC's investment approach; strengthen systems, and institutions; equip MCC with tools to meet the needs of the future; and tell the MCC story by deepening the knowledge of and communicating MCC's role, impact, and value-add.
- **Select, Design, Deliver, and Evaluate High-Quality Compacts, Threshold, and Regional Programs:** Identify, track, and achieve key milestones in a timely manner with country partners to develop, implement, and evaluate compact, threshold, and regional programs on budget and on schedule.
- **Integrate Policy Priorities to Achieve Quality Economic Growth that is Sustainable, Inclusive, and Private sector-led:** Consistent with MCC's Climate Strategy, further incorporate climate change risks and opportunities into the identification, design, assessment, implementation, and evaluation of MCC programs and projects. Identify, design, and implement opportunities to expand structurally excluded groups' ability to access, participate in, and/or derive benefits from MCC programs and projects as defined in MCC's Inclusion and Gender Strategy. Identify, design, and implement opportunities to crowd in private investment in and around MCC programs and projects to maximize scale and impact, including through USG agencies such as DFC, USAID, and Department of State.
- **Improve MCC's Operational Efficiencies and Effectiveness, including driving MCC's agility and responsiveness to both HQ and overseas staff needs:** Enhance, streamline, and modernize MCC's operations to increase impact and better manage risk. Promote innovation and learning around program implementation and timelines.
- **Refine MCC's Human Capital and Resource Capabilities and Foster a Diverse, Equitable, Inclusive, and Accessible (DEIA) Culture:** More effectively recruit, deploy, and retain resources to meet MCC's mission and achieve program objectives, including the ability to scale and resource the evolving scope and impact of MCC programs and projects. Refine the Human Capital Strategic Implementation Plan, including a review and assessment of the Human Capital and Resourcing model. Institutionalize DEIA programs and related activities.

The FY 2024 corporate priorities are reflected in the work and activities discussed in this AMR.

Snapshot of MCC Portfolio and Programming

As of September 30, 2024, MCC is engaged in partnerships across 27 programs with 22 countries (including compacts and threshold programs). Table 1 displays the number of programs in the development and implementation phases of compacts and threshold programs.

Table 1. MCC Portfolio as of September 30, 2024

6 Compacts in development, including 3 regional concurrent compacts

5 Compacts signed, not yet entered-into-force, including 1 regional concurrent compact

8 Compacts in implementation or undergoing closeout

3 Threshold Programs in development

5 Threshold Programs in implementation

In FY 2024, MCC's compacts with Benin and Niger were officially closed.

Table 2 displays grant totals, net of de-obligated amounts, for every MCC compact signed since the agency's inception in 2004 through September 30, 2024.

Table 2. Value of Compact Grants as of September 30, 2024 (in thousands)

Value of Compact Grant Since Agency Inception	
Closed Grants (Final Disbursements)	\$ 10,832,933
Implementing Grants (Signed values)	\$ 3,437,740
Signed Grants Not Yet Entered-into-Force (Signed values)	\$ 1,727,669
Total Value of Compact Grants	\$ 15,998,342

Value of Compact Grants in Implementation

Total	\$ 3,437,740	100.0%		
Indonesia II	\$ 649,000	18.9%	Malawi II	\$ 350,000 10.2%
Senegal II	\$ 550,000	16.0%	Mongolia II	\$ 350,000 10.2%
Côte d'Ivoire	\$ 536,740	15.6%	Lesotho II	\$ 300,000 8.7%
Nepal	\$ 500,000	14.5%	Kosovo	\$ 202,000 5.9%

Value of Compact Grants Signed but yet to Enter-into-Force

Total	\$ 1,727,669	100.0%		
Mozambique	\$ 500,000	28.9%	Regional Transport (Benin)	\$ 202,000 11.7%
Sierra Leone	\$ 480,669	27.8%	Belize	\$ 125,000 7.2%
Timor Leste	\$ 420,000	24.3%		

Table 3 displays grant totals, net of de-obligated amounts, for threshold programs closed by September 30, 2024, and grant values of implementing or signed threshold programs not yet entered-into-force, by threshold program. The total values combined represent every MCC threshold program signed since the agency's inception in 2004 through September 30, 2024.

Table 3. Value of Threshold Program Grants as of September 30, 2024 (in thousands)

Value of Threshold Program Grants	
Closed Grants (Final Disbursements)	\$ 587,725
Implementing Grants	\$ 169,100
Total Value of Threshold Program Grants	\$ 756,825

Value of Threshold Program Grants in Implementation			
Total	\$	169,100	
Kenya	\$	60,000	The Gambia \$ 25,000
Togo	\$	35,000	Solomon Islands \$ 20,000
Kiribati	\$	29,100	

In total, 33 countries have received funding through 48 compacts and 29 countries have received funding through 32 threshold programs. A full listing of MCC's past and present programs may be found at <https://www.mcc.gov/where-we-work>.

New Program Signings

On September 4, 2024, MCC and the Government of Belize signed the \$125 million Education & Energy Compact aimed at addressing low quality of education and high cost of electricity. The Education Project aims to equitably increase the number of post-primary graduates with the competencies relevant to labor market demand and is designed to benefit all secondary-level students in Belize. The Energy Project aims to lower the wholesale cost of electricity in real terms by facilitating new power purchase agreements for lower-cost renewable energy, modernizing the grid to efficiently manage an influx of variable power generation, and improving policy and regulations to support efficient use of the new lower-cost renewable energy generation. The Government of Belize has shown strong country ownership and commitment to the Compact through their engagement on the technical design of the projects, repeated commitment and preliminary progress on policy reforms, and commitment of \$40.6 million in counterpart funding for the implementation and long-term sustainability of the Compact objectives.

On September 27, 2024, MCC signed a \$480.7 million compact with the Republic of Sierra Leone which is expected to lay the foundation for an affordable and reliable electricity sector. The Compact includes three projects. The Transmission Backbone Project aims to increase coverage and reliability of the transmission network with modern, centralized system operations. The Distribution and Access Project aims to increase reliable delivery and consumption of electricity in Sierra Leone, while reducing barriers to access in selected communities. The Power Sector Reform Project aims to improve the financial sustainability of the electricity sector in Sierra Leone that enables the sector to expand and satisfy more demand at lower cost. Together, the program aims to better satisfy demand for electricity among households, businesses, and social institutions. The Government of Sierra Leone is also providing a voluntary contribution of \$14.2 million.

MCC's Approach to Defining and Measuring Results

Overview

MCC is committed to defining, achieving, and measuring results; holding itself accountable for those results;

transparently reporting results, data, and evaluation lessons; and learning from the evidence to improve current and future programs. To fulfill this commitment, data-driven decision-making and monitoring and evaluation are integrated into the entire program lifecycle, from country selection to program conceptualization, to implementation and beyond. For additional information, visit <https://www.mcc.gov/our-impact>.

Monitoring Program Performance

MCC monitors progress by using performance indicators that measure progress at all levels. Lower-level process and output-level indicators are typically drawn from project and activity work plans, whereas higher-level targets are often linked directly to the economic rate of return analysis. MCC reviews monitoring data quarterly to assess progress toward project objectives and integrate this information into project management decisions. Data for performance monitoring and reporting usually comes from project implementers, and administrative data provided by implementing entities. Monitoring data undergoes regular quality checks to ensure integrity and accuracy.

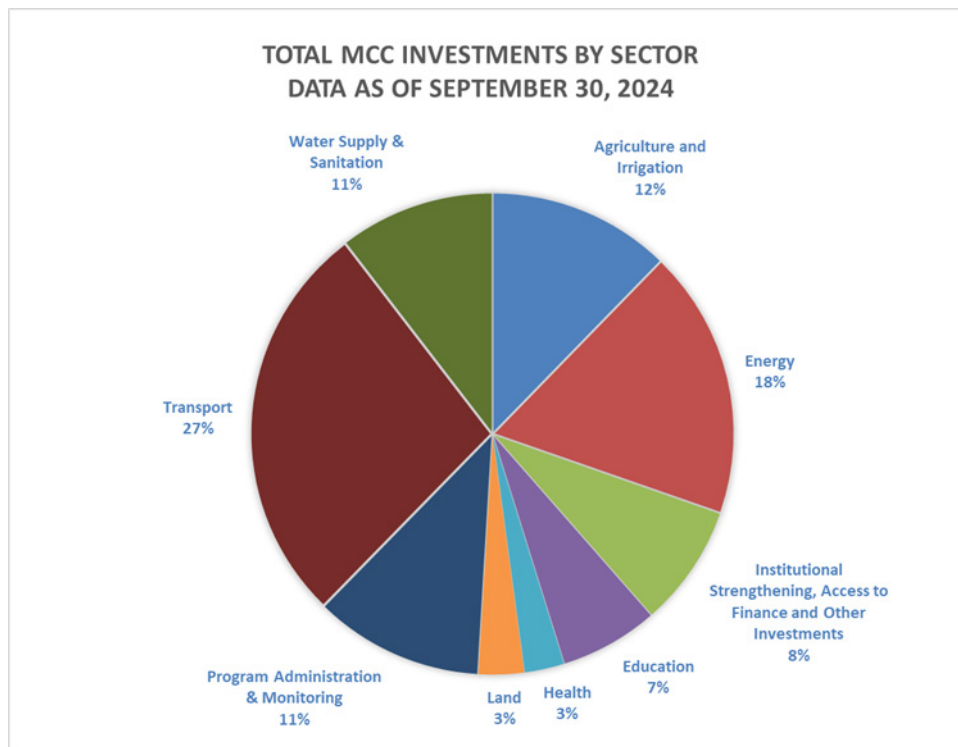


Figure 2. Total MCC Investments by Sector Data

MCC aggregates results and program outputs in key sectors to measure progress in those areas across its entire investment portfolio. Currently, MCC calculates aggregate program results on a quarterly basis in six sectors:

- **Agriculture and Irrigation** involving agriculture infrastructure; producer organizational development; policy and regulatory reform and systems strengthening; market development; climate resilience resource management, and research; and agriculture finance and investment - <https://www.mcc.gov/sectors/sector/results-agriculture>
- **Education** which targets general education specific; technical and vocational education training/workforce development; and higher education; and fall into the following categories of investment: teacher/school administrator training; infrastructure and equipment; governance and management; and workforce training - <https://www.mcc.gov/sectors/sector/results-education>

- **Energy** comprising of off-grid power infrastructure; on-grid power infrastructure; other energy infrastructure; and technical assistance - <https://www.mcc.gov/sectors/sector/results-energy>
- **Land** involving legal, regulatory and policy reform; institutional strengthening; clarification and recognition of land rights; and land use planning and natural resource management - <https://www.mcc.gov/sectors/sector/results-land>
- **Transportation** covering transportation infrastructure; management, funding, operations and maintenance assistance; and transportation policy, regulatory, planning, financing and institutional development assistance. <https://www.mcc.gov/sectors/sector/results-transportation>
- **Water, Sanitation, and Hygiene** covering water infrastructure; sanitation and/or wastewater infrastructure; hygiene and other training; and drainage infrastructure; and are often complemented by investments in policy and institutional reform. <https://www.mcc.gov/sectors/sector/results-wash>

Evaluating Program Performance and Results

MCC's programs aim to reduce poverty, while spurring entrepreneurship and economic growth and helping build more stable, accountable, and inclusive societies. With a data-driven, evidence-based approach to decision-making, MCC invests heavily in tracking the outcomes of its programs. Every MCC project is evaluated by independent, third-party entities, to assess the quality of implementation, assess the achievement of the project objective and other intermediate results, and compare measured benefits with project costs. These evaluations continue beyond the program implementation period to assess long-term results. Roughly 36 percent of the evaluation portfolio consists of impact evaluations, whose methodology allows for measured results to be directly attributed to MCC's investment. The remainder are performance evaluations, which assess the contribution of MCC's investment to changes in targeted outcomes.

MCC supports comprehensive, high-quality data collection conducted by local resources to inform these evaluations. Program funds are frequently used for surveys fielded by both private firms and national statistical agencies and other government entities. All the data collected, whether from surveys or implementers, undergoes regular quality checks that are monitored by MCC to ensure integrity and accuracy.

Country Selection Process

The MCC Board of Directors selects countries to partner with MCC. For a country to be selected as eligible for assistance, it must demonstrate commitment to ruling justly, economic freedom, and investing in its people. MCC's Board of Directors examines this commitment primarily by consulting MCC's annual country "scorecards" of policy performance comprising 20 independent, third-party, objective indicators, as well as relevant supplemental information. The Board reviews a country's policy performance on the MCC scorecards, and considers the overall opportunity to reduce poverty and generate economic growth in a country, as well as the funding available.

MCC's country selection process relies heavily on public, data-driven country scorecards, which allow Congress, taxpayers, beneficiaries, and other stakeholders to hold the agency accountable for its decisions. Additional information on MCC's selection process and criteria, including country scorecards and selection indicators may be found at <https://www.mcc.gov/who-we-select>.

MCC Effect

MCC's approach to country selection encourages all candidate countries—and not just MCC partner countries—to improve their economic and social policies before MCC grants a single dollar, in the hope of qualifying for an MCC program. This clear incentivizing effect is called the "MCC Effect." MCC sees this effect when government and civil society groups contact MCC or indicator institutions to learn more about how they can improve their scorecard performance.

A number of countries have set up teams within their governments dedicated to improving their scorecard performance in the hope of qualifying for an MCC program. An independent global survey of development stakeholders found that they repeatedly identified MCC's eligibility criteria as among the most influential external assessments of government performance. Many countries also regard their MCC scorecard performance as a stamp of approval that signals to their communities and the private sector that the country is well governed. More information about the MCC Effect can be found at <https://www.mcc.gov/who-we-select/mcc-effect>.

Compact Development, Implementation, and Closure

Countries seeking to sign a compact with MCC must be selected as eligible for compact assistance by MCC's Board of Directors through the process described above. Several principles are key to countries developing successful compact proposals. Eligible countries should demonstrate **country ownership and commitment** by providing leadership, mobilizing resources, and engaging broad groups of stakeholders and potential beneficiaries throughout the compact development process. Countries should directly address constraints to poverty-reducing **economic growth**, even when doing so may involve difficult public policy decisions. Compact programs should be based upon a strong program logic that clearly ties proposed projects to **measurable results** and **high economic returns** to be achieved by increasing incomes and wellbeing for beneficiaries. Well-developed compact programs also have **manageable technical, financial, environmental, and social risks** and allow for timely implementation within a fixed, five-year term, given each country's own oversight and management capacities.

Looking Forward

Building on the strategic directions established in 2022, MCC's vision and priorities are comprehensively articulated by the 2024 MCC@20 Strategic Capstone. The MCC@20 vision and policy framework were the culmination of MCC's yearlong 20th birthday celebration in 2024. This milestone presented an opportunity to look back at significant accomplishments, reflect on the agency's history, and present a strategic vision for the future. A staff-led process assessed the changing global development landscape and built on lessons learned to ensure that MCC remains well equipped to anticipate future challenges and solutions.

The MCC model allows the agency to adapt and evolve, and there are clear global trends that MCC anticipates: persistent global poverty, democratic backsliding, environmental change, digitalization, rapid urbanization, and mounting debt. MCC's approach will remain responsive to country needs and trends in the global development landscape. To do so, MCC must reinforce its model, broaden its investment approach, strengthen systems and institutions, and equip itself with the tools to meet the needs of the future.

The foundational aspects of the MCC model will not change. MCC recommits to ensuring analytical rigor, country ownership, and transparency and accountability throughout all stages of the program lifecycle. MCC is also testing new approaches to promote regional integration, reform and diversify MCC's pipeline, and implement "threshold after compact" authority. MCC will continue to strengthen partner countries' systems by supporting political and economic institutions, enhancing resilience to shocks, strengthening inclusion and gender equity, preparing the workforce and enhancing digital skills, catalyzing private sector investments, and leveraging partnerships. To prepare for new challenges, MCC will continue to push ahead on ongoing internal reforms while equipping MCC's workforce for the needs of the future.

Though it has already reached proof of concept, MCC must push the envelope and continue to evolve. The MCC@20 policy framework is a vision for the agency's next chapter. As MCC looks ahead, we are setting a path forward for the agency. The global development landscape will continue to change, and MCC will continue to adapt to deliver even greater development impact. Further information is located at <https://www.mcc.gov/resources/doc/strategic-capstone-2024/>.

In addition to the agency’s broader MCC@20 policy framework, MCC remains focused on three strategic priorities—climate, gender and inclusion, and catalyzing private sector investment.

Climate

MCC recognizes the deep connection between climate change and poverty, understanding that the countries most affected are also the least equipped to handle the consequences. Despite its size, MCC has made a substantial impact in addressing climate issues by helping countries meet their own climate goals and priorities, investing over \$2.6 billion in climate-related programs since 2022. The agency’s programs are uniquely designed to address systemic challenges and promote long-term sustainability. Since its inception, MCC has been committed to tackling climate change issues, consistently integrating resilience, adaptation, and mitigation into its investment strategies. The agency has already met its goal of ensuring that 50% of its investments between 2021 and 2025 are climate-related. MCC fosters low-carbon economic development, supports countries in transitioning away from fossil fuels, and upholds a coal-free policy across its investment portfolio.

Gender and Inclusion

MCC recognizes that growth alone will not meet MCC’s poverty reduction mandate if its investments are not also inclusive and sustainable, and that a high level of exclusion or inequality may itself act to constrain economic growth. MCC’s commitment to inclusive and sustainable development is thus firmly grounded in its mission. Reflecting the agency’s increased ambition on these issues, MCC launched the Inclusion and Gender Strategy in 2022 and a revised Inclusion and Gender Policy in 2024. The 2024 Gender and Inclusion Policy replaces MCC’s Gender Policy, last updated in 2010. The overall goal of this policy is to routinely and systematically expand opportunities for structurally disadvantaged groups to access, participate in, and benefit from MCC investments. The policy also aims to minimize the social risks and unintended negative consequences that can accompany MCC investments. The policy affirms MCC’s commitment to ensuring that programming targeting structurally disadvantaged groups contribute explicitly to a project’s theory of change. This policy is intended to help MCC and partner country governments work together to develop and execute programs that lead to poverty reduction and more gender-equitable, broad-based economic growth.

Catalyzing Private Sector Investment

Recognizing shifts in the global development landscape and the opportunity to scale up impact, MCC aims to increase private investment in and around our programs through blended finance. Catalyzing private investment has been fundamental to MCC’s work since its founding. MCC actively seeks opportunities to leverage its high-quality grant funding to catalyze private investment in partner countries to promote economic growth and maximize program impact. MCC has honed its ability to help partner countries design, strengthen, and harness financial markets through a range of blended finance tools, including project preparation, transaction advisory services, grant facilities, viability gap financing, guarantees, and on-lending support.

New Compacts and Threshold Programs

In December 2023, MCC’s Board of Directors selected Cabo Verde as eligible to develop a new regional compact program for regional economic integration. MCC also selected the Philippines and Tanzania having demonstrated renewed commitments to advancing critical reforms to strengthen democratic governance, protect human rights, and fight corruption. In recognition of these efforts, MCC’s Board selected the Philippines and Tanzania to partner with MCC in the development of threshold programs that focus on the policy and institutional reforms countries can undertake to reduce poverty and generate economic growth.

Analysis of MCC's Financial Statements

At the end of FY 2024, MCC prepared four basic financial statements with accompanying notes pursuant to the requirements of 31 U.S.C. § 3515(b) and presented them to the USAID Office of the Inspector General (USAID/OIG) for audit by an independent accounting firm. The principal statements include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The Financial Section of this report contains the financial statements and notes, and the auditor's report. In addition, reports used to monitor and control budgetary resources are prepared from the same records.

Preparing MCC's financial statements is a vital component of sound financial management, and provides accurate, accountable, and reliable information that is useful for assessing performance, allocating resources, and targeting areas for future programmatic emphasis. MCC's management is responsible for the integrity and objectivity of the financial information presented in the statements. MCC is committed to excellence in financial management and maintains a rigorous system of internal controls to safeguard its widely dispersed assets against loss from unauthorized acquisition, use, or disposition.

A summary of MCC's major financial activities in FY 2024 and FY 2023 appears in the Changes in Financial Position table (Table 4). This table represents the resources available, assets on hand to pay liabilities, and the corresponding net position. The net cost of operations is the cost of operating MCC. Budgetary resources are funds available to the Agency to incur obligations and fund operations. This summary section also includes an explanation of significant fluctuations on each of MCC's financial statements.

Table 4: Changes in Financial Position (in thousands)

Net Financial Condition	FY 2024	FY 2023	Variance (in \$)	Change (in %)
Fund Balance with Treasury	\$ 5,491,332	\$ 5,767,667	\$ (276,335)	-4.8%
Advances	90,447	70,350	20,097	28.6%
Other Assets	17	-	17	n/m
Property, Plant, and Equipment (net)	15,136	2,703	12,433	460.0%
Total Assets	<u>\$ 5,596,932</u>	<u>\$ 5,840,720</u>	<u>\$ (243,788)</u>	-4.2%
Accounts Payable	\$ 8,859	\$ 12,983	\$ (4,124)	-31.8%
Accrued Grant Liabilities	113,587	121,826	(8,239)	-6.8%
Other Liabilities	28,880	15,467	13,413	86.7%
Total Liabilities	<u>151,326</u>	<u>150,276</u>	<u>1,050</u>	0.7%
Unexpended Appropriations	5,447,876	5,694,453	(246,577)	-4.3%
Cumulative Results of Operations	(2,270)	(4,009)	1,739	-43.4%
Total Net Position	<u>5,445,606</u>	<u>5,690,444</u>	<u>(244,838)</u>	-4.3%
Total Liabilities and Net Position	<u>\$ 5,596,932</u>	<u>\$ 5,840,720</u>	<u>\$ (243,788)</u>	-4.2%
Net Cost of Operation	<u>\$ 708,296</u>	<u>\$ 709,118</u>	<u>\$ (822)</u>	-0.1%
Budgetary Resources	<u>\$ 4,026,962</u>	<u>\$ 4,334,894</u>	<u>\$ (307,932)</u>	-7.1%

Balance Sheet

The balance sheet is a representation of MCC's financial condition at the end of the fiscal year. It shows the resources available to meet its statutory requirements (assets); the amounts it owes that will require payment from available resources (liabilities); and the difference between assets and liabilities (MCC's net position).

Assets

As of September 30, 2024, MCC held total assets of \$5.6 billion compared to \$5.8 billion reported in FY 2023. The majority of MCC's assets (98.1 percent) are held in its Fund Balance with Treasury (FBWT), which decreased by \$276.3 million primarily due to FY 2024 enacted appropriations received, net of prior year unobligated funds rescission of \$475.0 million, less current outlays of \$731.3 million. Advances increased by \$20.1 million due primarily to advances paid in relation to capital works projects of the Cote d'Ivoire and Senegal compacts which were offset by the liquidations for closed compacts in the countries of Benin, Morocco, and Niger. MCC has very few capital assets in relation to total assets because it does not own its facilities or other real property. Following the adoption of Statement of Federal Financial Accounting Standard 54 – Leases (SFFAS 54) MCC recognized right-to-use assets as of October 1, 2023, of \$19.6 million. The right-to-use assets are comprised of MCC's existing office location and its allocated share of the overseas housing pool managed by the US State Department. There were no other additions to property, plant and equipment during the year and the decrease in the net balance represents the depreciation and amortization charges for both property, plant and equipment and right-to-use assets for the year.

Liabilities

As of September 30, 2024, MCC had \$151.3 million in liabilities, which represents amounts owed to grantees, vendors, contractors, trading partners, and employees. Grant liabilities comprise approximately 75.1 percent of MCC's total liabilities. The net decrease of \$8.2 million in the Accrual – Grant Liabilities is primarily the result of decrease in the grant accrual for the Niger and Senegal compacts as these compacts move out on capital projects and associated increases in retentions. These increases were largely offset by the liquidation of the retention associated with the Niger Compact that closed on May 26, 2024 and the resultant release of retentions for works completed. The increase in Other Liabilities of \$13,413 is primarily due to the recognition of the present value of future lease payments on the adoption of SFFAS 54 of \$21.3 million and at September 30, 2024 other liabilities includes \$14.0 million related to the present value of the lease payments.

Net Position

MCC's overall net position as of September 30, 2024, was \$5.4 billion, a decrease of \$244.8 million, 4.3 percent, from FY 2023 reflects the impact of the rescission for FY 2024. The available appropriations reported in MCC's positive net position represent the resources necessary to fund future compacts.

Statement of Net Cost

During FY 2024, MCC incurred \$708.3 million in net program costs, compared to \$709.1 million in FY 2023 as reflected below:

Table 5: Condensed Statement of Net Costs (in thousands)

	FY 2024	FY 2023	Variance (in \$)	Change (in %)
Compact, Threshold and Program Development Activities	\$ 563,262	\$ 570,605	\$ (7,343)	-1.3%
Administrative and Other Costs	145,034	138,513	6,521	4.7%
Net Cost of Operations	\$ 708,296	\$ 709,118	\$ (822)	-0.1%

The net decrease of \$7.3 million in Compact, Threshold and Program Development activities costs is primarily the result of the closure of the Benin and Niger compacts in FY 2024, offset by costs incurred in connection with due diligence of developing programs.

Statement of Changes in Net Position

This statement shows the change in net position during the reporting period. MCC's net position on September 30, 2024, was \$5.4 billion, a decrease of \$244.8 million from September 30, 2023. MCC's net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. As of September 30, 2024, Cumulative Results of Operations amounted to a surplus of \$2.3 million, an decrease of \$1.7 million from September 30, 2023. This balance is the cumulative difference, for all previous FYs, between funds available to MCC from all financing sources and the net costs incurred. The second component of net position, Total Unexpended Appropriations, amounted to \$5.4 billion, a decrease of \$246.6 million, or approximately 4.3 percent, from FY 2023, which is reflective of the \$930.0 million in appropriations received from Congress in FY2024, the rescission of \$475.0 million enacted in the FY2024 appropriations, and appropriations used in FY2024.

Statement of Budgetary Resources

This statement and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement derived predominantly from the entity's budgetary general ledger in accordance with federal accounting rules. The Statement of Budgetary Resources (SBR) reflects the format prescribed by OMB Circular No. A-136, *Financial Reporting Requirements*.

Table 6: Changes in Budgetary Resources (in thousands)

Budgetary Resources	FY 2024	FY 2023	Variance (in \$)	Change (in %)
Unobligated Balance from Prior Year				
Budget Authority	\$ 3,570,562	\$ 3,504,894	\$ 65,668	1.9%
Appropriations, net of rescissions, and Other	455,000	830,000	(375,000)	-45.2%
Spending Authority from Offsetting Collections	1,400	-	1,400	n/m
Total Budgetary Resources	\$ 4,026,962	\$ 4,334,894	\$ (307,932)	-7.1%
New Obligations and Upward Adjustments				
Grants	\$ 1,544,760	\$ 630,328	\$ 914,432	145.1%
Administrative and other costs	225,992	209,147	16,845	8.1%
New Obligations	1,770,752	839,475	931,277	110.9%
Unobligated Balance comprised of:				
Commitments signed under grant agreements pending entry-into-force	1,556,477	2,755,987	(1,199,510)	-43.5%
Other	699,733	739,432	(39,699)	-5.4%
Unobligated Balances at the end of the year	2,256,210	3,495,419	(1,239,209)	-35.5%
Total Status of Budgetary Resources	\$ 4,026,962	\$ 4,334,894	\$ (307,932)	-7.1%
Net Outlays	\$ 731,336	\$ 729,933	\$ 1,403	0.2%

For FY 2024, MCC reported total budgetary resources of \$4.0 billion compared to \$4.3 billion in FY 2023.

Budgetary resources of \$4,027.0 million at the end of the FY 2024 were provided through FY 2024 appropriations of \$930.0 million net of the rescission of prior year unobligated funds of \$475.0 million which supplemented the \$3,495.4 million unobligated balance carried forward from appropriations in FY 2023 and prior years.

The increase in new obligations of \$914.4 million is primarily attributable to the compacts for Indonesia, Kosovo, Lesotho and Malawi (\$14,404.2 million) entering into force in FY 2024 compared to \$459.0 million for the Nepal Compact in FY 2023.

During FY 2024, MCC signed grant agreements totaling \$605.7 million and obligated \$52.9 million upon signing. In FY 2023 MCC signed grant agreements totaling \$1,742.1 million and obligated \$134.4 million upon signing. The remaining commitment balance, pending satisfaction of conditions precedent, of \$1,556.5 million as of September 30, 2024, is attributable to compact agreements that have been executed with the following countries – Belize, Benin Regional Compact, Mozambique, Sierra Leone and Timor-Leste.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of federal entities in accordance with U.S. generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

Analysis of MCC's Systems, Controls, and Legal Compliance

Systems

MCC's financial management systems strategy employs the use of a shared service provider (SSP) to achieve its financial and budget management goals. MCC has benefited from economies of scale provided by the SSP strategy since its inception in 2004 and plans to continue utilizing the SSP for the foreseeable future. Currently, the Interior Business Center (IBC), operated by the Department of the Interior, is MCC's SSP for financial and payroll management systems. IBC maintains and operates the following systems on MCC's behalf:

- **Oracle Federal Financials (OFF)** — the system of record for MCC's Financial Statements and Notes. The system processes financial and budgetary transactions. OFF is also the main system of record for USA Spending.gov reporting compliant with the Digital Accountability and Transparency Act of 2014 (DATA Act) and OMB Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*.
- **Federal Personnel Payroll System (FPPS)** — Provides support for the full lifecycle of personnel and payroll transactions. FPPS is integrated with OFF to account for payroll transactions.

MCC is responsible for overseeing IBC to ensure that the SSP complies with pertinent federal financial management system and internal control requirements applicable to those systems used for MCC's financial transaction processing and reporting and complying with federal requirements for its financial management operations, systems, controls, and reporting. The American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements (SSAE) No. 18 prescribes requirements for assessing SSPs. MCC obtains the SSAE 18 Report for both IBC administered systems and reviews it for observations and risks which may require risk mitigation and compensating controls. Additionally, MCC verifies that complementary end user controls are in place and operating effectively as part of its internal control assessment related to OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996* (OMB A-123 Appendix D). Based on its OMB A-123 Appendix D Assessment, MCC believes that its financial management systems strategy successfully upholds its responsibilities to comply with the applicable guidance and requirements.

Controls

On an annual basis, MCC assesses the vulnerability of its programs and systems in alignment with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and its implementing guidance, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, as well as the associated guidelines issued by the Chief Financial Officer (CFO) Council. OMB Circular No. A-123, Appendix A, *Management of Reporting and Data Integrity Risk* (OMB A-123 Appendix A), provides guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by establishing, assessing, correcting, and reporting on internal control over reporting. OMB Circular A-123 Appendix A allows

for modified implementation to fit the circumstances, conditions, and structure of each entity. MCC continued its efforts to reassess, improve, and enhance its financial, systems, program, and performance information during the current fiscal year.

Legal Compliance

MCC complies with all applicable federal statutes and regulations. Key legal requirements include:

Anti-Deficiency Act

MCC maintains compliance with the Anti-Deficiency Act (codified as amended in 31 U.S.C. §§1341, 1342, 1351, 1517) through several tiers of process and system controls to maintain funds control. Apportionments are developed in consultation with OMB and designed to provide MCC with funds consistent with MCC's authorities in appropriations and authorization legislation. MCC's financial management system records apportionments and establishes automated funds controls. All obligations are centralized in the financial management system, and through those processes, MCC maintains control of its funding.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 requires all federal agencies to refer for collection to the Department of the Treasury's Bureau of the Fiscal Service past due, legally enforceable, non-tax debts that are more than 180 days delinquent. During FY 2024, MCC referred no debt to the Department of the Treasury.

Digital Accountability and Transparency Act of 2014

The Digital Accountability and Transparency (DATA) Act builds on the Federal Funding Accountability and Transparency Act of 2006 (FFATA) as amended by the Government Funding Transparency Act of 2008. It requires agencies to disclose direct federal agency expenditures and link federal contract, loan, and grant spending information to agency programs. Additionally, it establishes government-wide data definition standards to make spending data consistent and reliable throughout the USG, and improve the data reported by Federal agencies under FFATA. The law aligns with OMB Memorandum M-10-06, issued on December 8, 2009, to increase transparency and create a more data-driven federal government. The USAID/OIG audited MCC's DATA Act initiative and reported no recommendations in its report titled, "MCC Took Initial Steps to Implement the Digital Accountability and Transparency Act of 2014." MCC is in compliance with all facets of the DATA Act and will continue to make improvements based on relevant recommendations and new requirements.

Federal Information Security Modernization Act of 2014

In FY 2024, MCC continued to focus efforts to improve its cybersecurity program consistent with applicable laws, executive orders, Cybersecurity and Infrastructure Security Agency guidance, and other best practices. MCC implemented information technology modernization through upgrades of its infrastructure including updating operating systems and its intranet. MCC automates management of its hardware, software, and mobile device services, and is 100 percent compliant in obtaining a valid security authorization to operate for its information systems. The FY 2024 Federal Information Security Modernization Act of 2014 (FISMA) Inspector General's audit report concluded that MCC implemented an effective information security program. MCC will continue to improve its program in the future and address recommendations in a timely manner.

Prompt Payment Act

The Prompt Payment Final Rule (Code of Federal Regulations Title 5, Part 1315) requires federal agencies to pay commercial obligations within certain periods and to pay interest penalties when payments are late. With certain exceptions, payments to vendors are due within 30 days of the latter of (1) receipt of properly prepared invoices or (2) the receipt of goods or services. For amounts owed and not paid within the specified payment period, agencies are required to pay interest on the amount owed at a rate established by the Department of the Treasury. MCC measures the percentage of all payments made within the specified timeframes for all payments subject to the Prompt Payment Final Rule. In FY 2024, MCC's prompt payment performance registered 99 percent. MCC is taking steps to reduce any likelihood of future unnecessary interest payments.

Management Assurances

FY 2024 Chief Executive Officer Statement of Assurance

November 13, 2024

Statement of Assurance

The Millennium Challenge Corporation's (MCC) management is responsible for managing risks and maintaining effective internal control to meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In accordance with Section 2 of FMFIA and the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, MCC conducted an assessment of risk and internal control over reporting, and compliance with applicable laws and regulations. Based on the results of its assessment, MCC can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2024. Accordingly, the assessment did not identify any material weaknesses in the design or operation of the controls.

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that comply substantially with federal financial management system requirements, applicable federal accounting standards, and the application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. Based on the results of the OMB Circular A-123 assessment in accordance with Appendix D of OMB Circular A-123, MCC has determined that its financial management systems comply with financial management system requirements and are in substantial conformance with the Section 4 requirements of FMFIA as of September 30, 2024.



Alice P. Albright
Chief Executive Officer
Millennium Challenge Corporation



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 <i>(Note 2)</i>	\$ 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 <i>(Note 3)</i>	17	-
Property, Plant, and Equipment, net <i>(Note 4)</i>	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 <i>(Note 6)</i>	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 <i>(Note 7)</i>	11,215	9,517
Other Liabilities:		
Accrued Grant Liabilities <i>(Note 9)</i>	113,587	121,826
Other <i>(Note 6)</i>	14,002	2,636
Total Other than Intragovernmental Liabilities	147,659	145,719
Total Liabilities	\$ 151,326	\$ 150,276
Commitment and Contingencies <i>(Note 10)</i>		
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 <i>(Note 1D)</i>	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 <i>(Note 11)</i>	\$ 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 SFAS 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

<i>(in thousands)</i>	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 SFAS 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

<i>(in thousands)</i>	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 - Building	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

<i>(in thousands)</i>	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:

<i>(in thousands)</i>	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:

<i>(in thousands)</i>	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)

Fiscal Year	Asset Category									TOTAL
	Franklin Court			Overseas Leases - House Pool			Overseas Leases - Land			
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Principal	Interest	Subtotal	
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)

Fiscal Year	Asset Category			Federal	Non-Federal
	Vehicle	Copier	Totals		
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
	<u>75,143</u>	<u>72,776</u>
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/>.

<i>(in thousands)</i>	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

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

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

<i>(in thousands)</i>	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

<i>(in thousands)</i>	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
<i>(in thousands)</i>			
Gross Costs	\$ 709,606		
		\$ 669,354	Non-Federal Costs
		669,354	Non-Federal Gross Cost
			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
<i>(in thousands)</i>			
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

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 *PKMA*

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.

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Washington, DC,
oig.usaid.gov

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.

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

¹A 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.

(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

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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 deficiencies⁴ 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

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.

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.

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.

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

Appendix I: Management's Response



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.

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

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



Other Information (Unaudited)

Summaries of Financial Statements Audit and Management Assurances

Table 7: Summary of Financial Statement Audit

Audit Opinion Unmodified Opinion
 Restatement No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
		0			0
Total Material Weaknesses		0			0

Table 8: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA §2)

Statement of Assurances Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
		0				0
Total Material Weaknesses		0				0

Effectiveness of Internal Control over Operations (FMFIA §2)

Statement of Assurances Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
		0				0
Total Material Weaknesses		0				0

Conformance with Federal Financial Management System Requirements (FMFIA §2)

Statement of Assurances System conforms

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
		0				0
Total Non-Conformances		0				0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA)

	Agency Auditor	Auditor
1. System Requirements	<i>No lack of compliance noted</i>	<i>No lack of compliance noted</i>
2. Accounting Standards	<i>No lack of compliance noted</i>	<i>No lack of compliance noted</i>
3. USSGL at Transaction Level	<i>No lack of compliance noted</i>	<i>No lack of compliance noted</i>

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements. In addition, OMB issued an update to Appendix C of OMB Circular A-123 (Appendix C) in Memorandum M-21-19 Requirements for Payment Integrity Improvement. Appendix C identifies the requirements for agencies to maintain compliance with the PIIA. The guidance requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments through performing a risk assessment at least once every three years. For all programs and activities in which the risk of improper payments is deemed significant, agencies are to estimate the annual amount of improper payments made in those programs.

In accordance with PIIA and Appendix C guidance, MCC conducted a risk assessment on programs with payments greater than \$10 million to determine whether agency programs are susceptible to significant improper payments during FY 2023. Based on the risk assessment, MCC determined that all of its programs are low risk and not susceptible to significant improper payments. As a result, MCC is not required to complete another risk assessment until FY 2026 unless a program experiences a significant change in legislation and/or a significant increase in funding.

Additionally, Appendix C provides guidance related to completing recovery audits if it is cost effective to the agency. Based on MCC’s Accountable Entity Audit Program and overall low historical improper payment total and rate, MCC determined that recovery audits are not cost-effective. The benefits or recaptured amounts associated with implementing and overseeing the program do not exceed the costs, including staff time and payments to contractors, of a recovery audit program.

OMB Circular A-136, Financial Reporting Requirements, requires agencies to report specific details about MCC’s payment integrity activities at <https://paymentaccuracy.gov/>. The website further explains improper payments and the information reported in previous Agency Financial Reports and AMRs. MCC recognizes the importance of maintaining adequate internal controls to ensure the accuracy and integrity of payments made by the agency and maintains a strong commitment to continuous improvement in the overall disbursement management process.

Grant Programs

Below is a summary (Table 9) of the total number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2024 (i.e., on or before September 30, 2022).

Table 9: Summary of Expired, but not Closed, Federal grants and cooperative agreements (awards) as of September 30, 2024

Category	2-3 Years	> 3-5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	-	-	-
Number of Grants/Cooperative Agreements with Undispersed Balances	-	2	1
Total Amount of Undispersed Balances (in thousands)	\$ -	\$ 6	\$ -

Climate Related Risk

To assess the climate related financial risk exposure to MCC's headquarters, MCC is following the framework outlined in the U.S. Climate Resilience Toolkit to assess risks due to heat, flooding, and vector-borne diseases brought about by climate change and to define solutions to reduce the potential impact to its domestic operations. As MCC enters FY 2025, it will begin transitioning resources and expects to advance the goals of integrating adaptation and resilience considerations into the agency's facilities management and internal operations. Additional information may be found by visiting <https://www.sustainability.gov/contributing-agencies.html#mcc>.

MCC has made a commitment to expand and deepen our efforts to address climate change challenges across our investment portfolio and business operations, integrating climate considerations into all stages of program development and implementation. For additional information visit <https://www.mcc.gov/resources/doc/climate-action-plan/>.

Appendix A: Acronyms

Acronym	Definition
A	
AE	Accountable Entity
AICPA	American Institute of Certified Public Accountants
AMR	Annual Management Report
APR	Annual Performance Report
C	
CBJ	Congressional Budget Justification
CEO	Chief Executive Officer
CFO	Chief Financial Officer
D	
DATA Act	Digital Accountability and Transparency Act of 2014
DEIA	Diversity, Equity, Inclusion and Accessibility
DFC	United States International Development Finance Corporation
DOL	Department of Labor
E	
ERM	Enterprise Risk Management
F	
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act
FERS	Federal Employees Retirement System
FFATA	Federal Funding Accountability and Transparency Act of 2006
FFMIA	Federal Financial Management Improvement Act of 1982
FMFIA	Federal Managers Financial Integrity Act of 1996
FISMA	Federal Information Security Modernization Act of 2014
FPPS	Federal Personnel Payroll System
FY	Fiscal Year
G	
GAAP	Generally Accepted Accounting Principles
I	
IBC	Interior Business Center

Acronym	Definition
M	
MCC	Millennium Challenge Corporation
O	
OFF	Oracle Federal Financial System
OMB	Office of Management and Budget
P	
P.L.	Public Law
PIIA	Payment Integrity Information Act of 2019
PP&E	Property, Plant, and Equipment
R	
RTU	Right-To-Use Leases
S	
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SSAE	Statement on Standards for Attestation Engagements
SSP	Shared Service Provider
U	
USAID	United States Agency for International Development
USAID/OIG	United States Agency for International Development Office of the Inspector General
U.S.	United States
U.S.C.	United States Code
USD	United States Dollars
USG	United States Government
USSGL	U.S. Standard General Ledger



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MCC Welcomes Your Comments

MCC welcomes comments and suggestions regarding this report.

Please contact MCC at:

<https://www.mcc.gov/contact-us>

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The Millennium Challenge Corporation is an innovative and independent foreign aid agency that is helping lead the fight against global poverty.