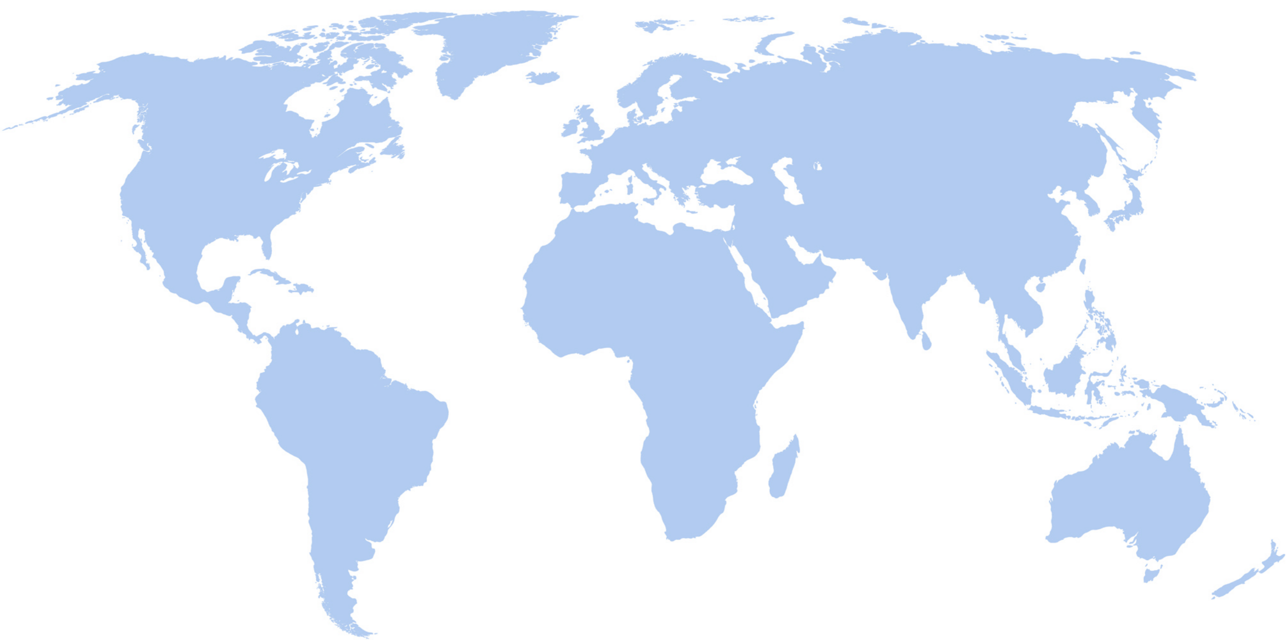
Annual Management Report

Fiscal Year 2025



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

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Fiscal Year 2025

October 1, 2024 - September 30, 2025

Contents

Introduction

The Annual Management Report (AMR) for the Millennium Challenge Corporation (MCC) for fiscal year (FY) 2025 provides the results that enable the President, Congress, and the American people to assess MCC's performance for the reporting period beginning October 1, 2024, and ending September 30, 2025. 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 2025 that will be released with MCC's FY 2027 Congressional Budget Justification (CBJ). The APR, along with the CBJ, is projected to be posted on MCC's website in February 2026. 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 the third week of December 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 2025 AMR includes a message from the Acting Chief Financial Officer, 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 Statement Audit and Management Assurances and MCC's Payment Integrity Report
- **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

December 12, 2025

I am pleased to share MCC's Annual Management Report (AMR) for FY 2025 and Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control—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.

I am proud of how MCC continues to deliver for the American public and for those in the countries with which we partner. These are important facets of our mission; however, as recent years have shown, we cannot meet that mandate if we do not incorporate the hard-earned lessons of this challenging and vital work. Over the past 20 years, we have overcome countless obstacles and there will, no doubt, be more challenges on the horizon. I am confident that this team and this organization are designed to meet the moment and rise to the occasion at every turn. As we seek to employ new ways to leverage the agency's unique model to deliver even greater impact, I am thankful for the fantastic work done by our staff and our stakeholders, whose engagement remains essential to MCC's success.

Sincerely,

Abdel Maliky

Abdel Maliky
Acting Vice President, Department of Administration and Finance & Acting Chief Financial Officer
In the absence of an official authorized to perform all of the functions and duties of Acting CEO

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 support economic growth, in select developing countries, that demonstrate commitment to ruling justly, economic freedom, and investing in people.

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.

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 objectives. The compact defines each party's responsibilities and includes benchmarks, timetables, and performance goals and metrics.
- ***Threshold programs*** are programs for countries that have shown political will and commitment toward improving their policy performance but may 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's engagement with a partner country often stands as a cornerstone of the U.S. economic relationship in that country 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. MCC programs are a down payment on increased growth, stability, as well as market opportunities for American businesses.

MCC works closely with the Department of State, the 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.

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, 2025:

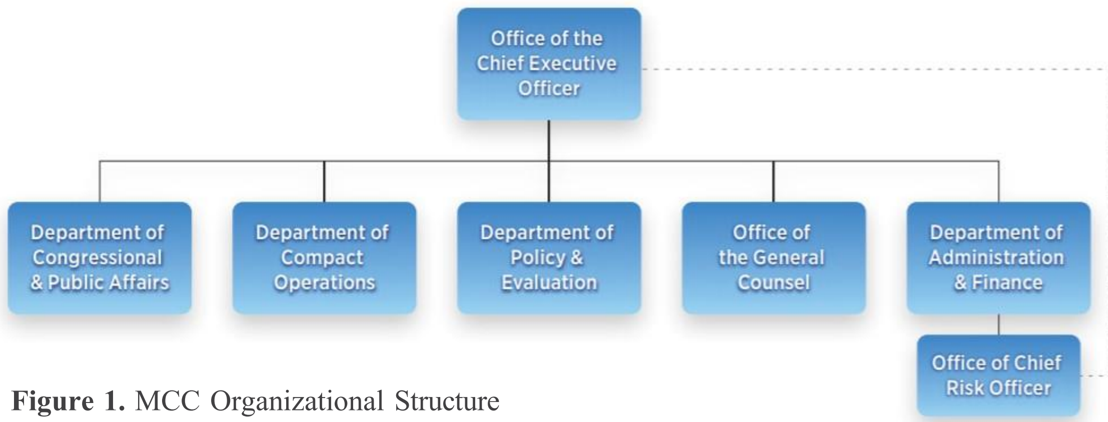

Figure 1. MCC Organizational Structure

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 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 country selection process, using a "scorecard" drawing data from externally available sources, assesses candidate countries on statutorily prescribed criteria in the three categories of ruling justly, economic freedom, and investing in people. Consistent with these criteria, MCC works in countries committed to good governance and the policies necessary to support private-sector led economic growth. MCC's rigorous selection process creates an incentive for countries to improve their policy performance, while also targeting MCC's funding to those countries where MCC's programs will have the greatest impact and make America safer, stronger, and more prosperous.

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. MCC is consistently ranked as the world's most transparent bilateral donor and as fifth in the world among major development agencies. In Results for America's 2024 Invest in What Works Federal Standard of Excellence Report, MCC received the highest score of all federal agencies for the eighth consecutive year.

Strategic Direction

MCC established the following corporate priorities for FY 2025 to guide agency activities:

- ***Advance the MCC@20 vision with an eye towards the next twenty years:*** *Uphold and reinforce MCC's model by broadening MCC's investment approach through strengthening its systems, policies, and institutions and equipping MCC with tools to meet the needs of the future.*
- ***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.*
- ***Advance policy priorities where relevant to achieve quality economic growth that is sustainable, inclusive, and private sector-led:*** *Advance policy priorities where relevant to achieve quality economic growth that is sustainable, inclusive, and private sector-led*
- ***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.*
- ***Continue to invest in MCC's human capital and resource capabilities and advance MCC's workplace culture and organizational health****: Continue to invest in MCC's human capital and resource capabilities and advance MCC's workplace culture and organizational health. 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.*

The FY 2025 corporate priorities are reflected in the work and activities discussed in this AMR.

Snapshot of MCC Portfolio and Programming

As of September 30, 2025, MCC is engaged in partnerships across 21 programs with 20 countries (including compacts and threshold programs). Table 1 displays the value of programs in the development and implementation phases of compacts and threshold programs.

Table 1. Value of Grants as of September 30, 2025 (in thousands)

	Compact	Threshold	Total
Value of Closed Programs	$ 10,832,933	$ 587,725	$ 11,420,658
Programs in Implementation	3,639,740	169,100	3,808,840
Programs yet to enter into force	2,283,669	27,000	2,310,669
	$ 16,756,342	$ 783,825	$ 17,540,167

Note: At the August Board meeting, the MCC Board voted to terminate certain programs. As such, this table reflects the portfolio before that meeting.

A full listing of MCC's past and present programs may be found at [https://www.mcc.gov/ where-we-work](https://www.mcc.gov/where-we-work).

New Program Signings

In October 2024, MCC and the Government of Zambia signed the $458 million MCC Zambia Compact. The compact was designed to boost private sector investment in agriculture and agro-processing by improving roads, financing agricultural equipment and infrastructure, and advancing reforms to attract greater private investment, including from U.S. firms. It also includes funding to partner with the DFC, through the American Catalyst Facility for Development Project, to identify opportunities to further invest in Zambia's private sector. Following guidance from MCC's August 2025 Board meeting, MCC has started to realign the compact to strengthen Zambia's critical minerals sector and expand minerals access for the U.S. and other allied countries, while supporting concrete U.S. business interests.

Mauritania's $27 million threshold program was signed in January 2025. The program aimed to advance American trade and investment opportunities by stabilizing Mauritania's electricity grid, preparing the country for a more resilient future, and creating a business-friendly environment. MCC's Board voted to terminate this program in August 2025.

In September 2025, MCC and the Government of Côte d'Ivoire signed the $300 million Côte d'Ivoire Regional Energy Compact. The compact is a major step forward in strengthening Côte d'Ivoire's energy sector and advancing regional power integration across West Africa. Expanding access to reliable electricity will lower costs for families and businesses, boost private sector activity, and build a stronger foundation for cross-border trade—while also creating new opportunities for American companies and supporting U.S. jobs.

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.

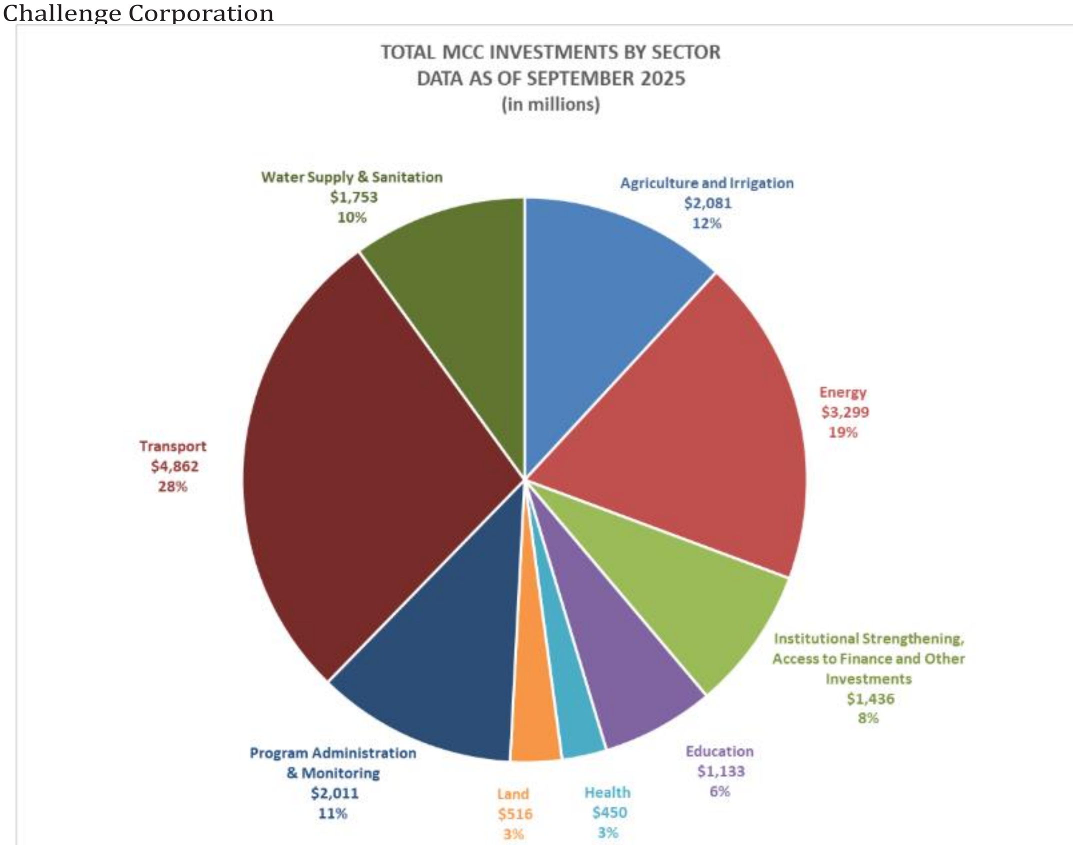

Figure 2. Total MCC Investments by Sector Data

MCC aggregates results and program outputs in key sectors to measure progress in those areas across its entire investment portfolio. While MCC's portfolio and prioritized sectors continue to evolve, the sectors below represent a snapshot of the agency's results through FY 2025.

- **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 spur entrepreneurship and economic growth and help build more stable, accountable, and prosperous societies. With a data-driven, evidence-based approach to decision-making, MCC invests 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 35 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 private firms, national statistical agencies, and other government entities. All evaluation data undergoes regular quality checks that are monitored by MCC and/or MCC's independent evaluator to ensure integrity and accuracy.

Country Selection Process

The MCC Board of Directors selects countries to partner with MCC assistance. 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. In FY 2025, the scorecard comprised 20 independent, objective indicators. The Board also considers relevant supplemental information. The Board reviews a country's policy performance and 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 on public, data-driven country scorecards and objective supplemental information, which allows Congress, taxpayers, beneficiaries, and other stakeholders to hold the agency accountable for its decisions. Additional information on MCC's selection process and statutory criteria, including country scorecards and selection indicators may be found at https://www.mcc.gov/who-we-select.

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 binding constraints to **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

For more than two decades, MCC has invested in partner countries to create new opportunities for U.S. investment, trade, and jobs, opening valuable opportunities for American businesses while effectively countering the growing influence of China's Belt and Road Initiative (BRI).

MCC makes America safer by helping the United States and its businesses gain reliable access to critical minerals in partner countries—strengthening U.S. supply chains and diminishing the strategic leverage of adversaries. MCC investments also address the root causes of illegal migration and violent extremism through strategic investments that promote stability and economic opportunity in vulnerable regions.

MCC makes America stronger by offering a transparent, high-quality alternative to China's BRI, enabling partner countries to avoid debt-laden, low-standard projects. MCC-funded infrastructure and economic reforms align with American interests and compacts are subject to the agency's strict eligibility criteria. MCC's time-limited, five-year compacts are held to high standards and subject to suspension or termination if countries fail to abide by MCC's requirements.

MCC makes America more prosperous by reducing barriers to U.S. business investment overseas and creating new markets for American goods, services, and technology through targeted infrastructure and pro-growth policy reforms. MCC also works with partner governments to improve regulatory environments, paving the way for American firms to compete and invest, strengthening trade balances, and fostering growth.

Analysis of MCC's Financial Statements

At the end of FY 2025, 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 2025 and FY 2024 appears in the Changes in Financial Position table (Table 2). 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 2: Changes in Financial Position (in thousands)

Net Financial Condition	FY 2025	FY 2024	Variance (in $)	Change (in %)
Fund Balance with Treasury	$ 5,641,584	$ 5,491,332	$ 150,252	2.7%
Advances	83,571	90,447	(6,876)	-7.6%
Other Assets	7	17	(10)	-58.8%
Property, Plant, and Equipment (net)	41,344	15,136	26,208	173.2%
Total Assets	$ 5,766,506	$ 5,596,932	$ 169,574	3.0%
Accounts Payable	$ 6,636	$ 8,859	$ (2,223)	-25.1%
Accrual-Grant Liabilities	126,782	113,587	13,195	11.6%
Other Liabilities	56,308	28,880	27,428	95.0%
Total Liabilities	189,726	151,326	38,400	25.4%
Unexpended Appropriations	5,581,247	5,447,876	133,371	2.4%
Cumulative Results of Operations	(4,467)	(2,270)	(2,197)	96.8%
Total Net Position	5,576,780	5,445,606	131,174	2.4%
Total Liabilities and Net Position	$ 5,766,506	$ 5,596,932	$ 169,574	3.0%
Net Cost of Operation	$ 806,271	$ 708,296	$ 97,975	13.8%
Budgetary Resources	$ 3,229,158	$ 4,026,962	$ (797,804)	-19.8%

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, 2025, MCC held total assets of $5.8 billion compared to $5.6 billion reported in FY 2024. The majority of MCC's assets (97.8 percent) are held in its Fund Balance with Treasury (FBWT), which increased by $150.3 million primarily due to FY 2025 enacted appropriations received exceeding current year Net Outlays by $150.3 million. Advances decreased by $6.9 million due primarily to the liquidations for compacts in the countries of Cote d'Ivoire and Senegal advances paid in relation to capital works projects of the Cote d'Ivoire and Senegal compacts which were offset by the advances to Nepal. MCC has very few capital assets in relation to total assets because it does not own its facilities or other real property. 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 charge for the year. The increase in property, plant and equipment is primarily attributable to the renewal of the lease of its headquarters which had been recorded as right-to-use asset in FY 2024. Under the renewal, MCC relinquished existing square footage under the lease and extended the term—the net impact of this activity was the recognition of an asset of $31.5 million.

Liabilities

As of September 30, 2025, MCC had $189.7 million in liabilities, which represents amounts owed to grantees, vendors, contractors, trading partners, and employees. Grant liabilities comprise approximately 66.8 percent of MCC's total liabilities. The net increase of $13.2 million in the Accrual – Grant Liabilities is primarily the result of increases in retentions reported by the Cote d'Ivoire offset by decreases in the accruals for Senegal. The increase in Other Liabilities reflects the impact of the lease renewal discussed above.

Net Position

MCC's overall net position as of September 30, 2025, was $5.6 billion, an increase of $131.2 million, 2.4 percent, from 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 2025, MCC incurred $806.3 million in net program costs, compared to $709.1 million in FY 2024 as reflected below:

Table 3: Condensed Statement of Net Costs (in thousands)

	FY 2025	FY 2024	Variance (in $)	Change (in %)
Compact, Threshold and Program Development Activities	$ 661,348	$ 563,262	$ 98,086	17.4%
Administrative and Other Costs	144,923	145,034	(111)	-0.1%
Net Cost of Operations	**$ 806,271**	**$ 708,296**	**$ 97,975**	13.8%

The net increase of $98.1 million in Compact, Threshold and Program Development activities costs is primarily the result of increased expenses incurred with respect to the Cote d'Ivoire and Senegal compacts as they entered the final stages of the compact period offset by a decrease in expenses in Mongolia and the closure of the Niger compact in FY 2024, and reductions in costs incurred in connection with 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, 2025, was $5.6 billion, an increase of $131.2 million from September 30, 2024. MCC's net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. As of September 30, 2025, Cumulative Results of Operations amounted to a deficit of $4.5 million, an increase of $2.2 million from September 30, 2024. 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 $5.6 billion, an increase of $133.4 million, or approximately 2.4 percent, from FY 2024, which is reflective of the $930.0 million in appropriations received from Congress in FY2025 exceeding current year outlays.

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 4: Changes in Budgetary Resources (in thousands)

Budgetary Resources	FY 2025	FY 2024	Variance (in $)	Change (in %)
Unobligated Balance from Prior Year Budget Authority	$ 2,299,158	$ 3,570,562	$ (1,271,404)	-35.6%
Appropriations, net of recissions, and Other	930,000	455,000	475,000	104.4%
Spending Authority from Offsetting Collections	-	1,400	(1,400)	n/m
Total Budgetary Resources	$ 3,229,158	$ 4,026,962	$ (797,804)	-19.8%
New Obligations and Upward Adjustments				
- Grants	$ 290,518	$ 1,544,760	$ (1,254,242)	-81.2%
- Administrative and other costs	197,414	225,992	(28,578)	-12.6%
New Obligations	487,932	1,770,752	(1,282,820)	-72.4%
Unobligated Balance comprised of:				
- Commitments signed under grant agreements pending entry-into-force	2,069,752	1,556,477	513,275	33.0%
- Other	671,474	699,733	(28,259)	-4.0%
Unobligated Balances at the end of the year	2,741,226	2,256,210	485,016	21.5%
Total Status of Budgetary Resources	$ 3,229,158	$ 4,026,962	$ (797,804)	-19.8%
Net Outlays	$ 779,749	$ 731,336	$ 48,413	6.6%

For FY 2025, MCC reported total budgetary resources of $3.2 billion compared to $4.0 billion in FY 2024.

Budgetary resources of $3,229.2 million at the end of FY 2025 were provided through FY 2025 appropriations of $930.0 million which supplemented the $2,229.2 million unobligated balance carried forward from appropriations in FY 2024 and prior years.

The increase in new obligations of $290.5 million is primarily attributable to the Benin regional Compact entering into force ($185.0 million) entering into force in FY 2025 compared to $1,544.8 million in FY 2024 with the compacts with the following compacts for Indonesia, Kosovo, Lesotho, and Malawi entering into force.

During FY 2025, MCC signed grant agreements totaling $785.0 million and obligated $86.7 million upon signing. In FY 2024 MCC signed grant agreements totaling $605.7 million and obligated $52.9 million upon signing. The remaining commitment balance as of September 30, 2025, of $2,069.8 million is pending satisfaction of conditions precedent.

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 USAspending.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 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 1966 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 2025, MCC referred no debt to the Department of the Treasury.

Digital Accountability and Transparency Act of 2014

The 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.

Federal Information Security Modernization Act of 2014

In FY 2025, MCC continued to focus efforts to improve its cybersecurity program consistent with applicable laws, executive orders, CISA guidance, and other best practices. MCC implemented information technology modernization through upgrades of its infrastructure including updating operating system and infrastructure modernization. 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 2025 Federal Information Security Modernization Act of 2014 (FISMA) Inspector General's has yet to be issued. 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 2025, MCC's prompt payment performance registered 99 percent. MCC is taking steps to reduce any likelihood of future unnecessary interest payments.

Management Assurances

FY 2025 Statement of Assurance

December 12, 2025

The Millennium Challenge Corporation's (MCC) management is responsible for establishing, maintaining, evaluating, and reporting on MCC's internal control and financial systems 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 unmodified reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2025. 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, performed 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, 2025

Daniel Petrie
Acting Chief of Staff
In the absence of an official authorized to perform all of the functions and duties of Acting CEO
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 July 14, 2025). The financial statements should be read with the understanding that they are for a component of the USG, a sovereign entity. MCC is presenting the following financial statements and notes to the financial statements:

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

BALANCE SHEET
As of September 30, 2025 (in thousands)

		FY 2025
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury *(Note 2)*	$	5,641,584
Advances and Prepayments		888
Total Intragovernmental Assets		5,642,472
Other than Intragovernmental Assets:		
Accounts Receivable, net *(Note 3)*		7
Property, Plant, and Equipment, net *(Note 4)*		41,344
Advances and Prepayments		82,683
Total Other than Intragovernmental Assets		124,034
Total Assets	**$**	**5,766,506**
Liabilities *(Note 5)* :		
Intragovernmental Liabilities:		
Accounts Payable	$	507
Other Liabilities *(Note 6)*		645
Total Intragovernmental Liabilities		1,152
Other than Intragovernmental Liabilities:		
Accounts Payable		6,128
Federal Employee Salary, Leave, and Benefits Payable *(Note 7)*		10,514
Other Liabilities:		
Accrued Grant Liabilities *(Note 9)*		126,783
Other *(Note 6)*		45,149
Total Other than Intragovernmental Liabilities		188,574
Total Liabilities		189,726
Commitment and Contingencies *(Note 10)*		
Net Position:		
Unexpended Appropriations-Funds from Other than Dedicated Collections		5,581,247
Total Unexpended Appropriations		5,581,247
Cumulative Results of Operations-Funds from Other than Dedicated Collections		(4,467)
Total Cumulative Results of Operations		(4,467)
Total Net Position		5,576,780
Total Liabilities and Net Position	**$**	**5,766,506**

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

For the Year Ended September 30, 2025 (in thousands)

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

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION
For the Year Ended September 30, 2025 (in thousands)

	FY 2025
Unexpended Appropriations	
Beginning Balance	$ 5,447,876
Adjustments:	
Beginning Balance, as adjusted	5,447,876
Appropriations Received	930,000
Other Adjustments	-
Appropriations Used	(796,629)
Net Change in Unexpended Appropriations	133,371
Total Unexpended Appropriations	**5,581,247**
Cumulative Results of Operations:	
Beginning Balances	(2,270)
Adjustments:	
Beginning Balance, as adjusted	(2,270)
Other Adjustments	(1)
Appropriations used	796,629
Nonexchange revenue	1
Imputed financing	7,445
Other	
Net Cost of Operations	(806,271)
Net Change in Cumulative Results of Operations	(2,197)
Total Cumulative Results of Operations	**(4,467)**
Net Position	**$ 5,576,780**

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2025 (in thousands)

Budgetary Resources	
Unobligated Balance from Prior Year Budget Authority, net *(Note 11)*	$ 2,299,158
Appropriations	930,000
Spending Authority from Offsetting Collections	-
Total Budgetary Resources	**$ 3,229,158**
Status of Budgetary Resources	
New Obligations and Upward Adjustments (total)	$ 487,932
Unobligated Balance, end of year	
Apportioned, Unexpired accounts	2,709,719
Unapportioned, Unexpired accounts	31,508
Unexpired Unobligated Balance, end of year	2,741,227
Unobligated Balance, end of year (total)	2,741,227
Total Budgetary Resources	**$ 3,229,159**
Outlays, Net	
Outlays, net (total)	**$ 779,749**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Reporting by Operational Components

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

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

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

C. Basis of Accounting and Presentation

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

MCC's financial statements reflect both the accrual and budgetary basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Amounts received from other federal agencies under reimbursable agreements are recognized as revenue as related expenditures are incurred. Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual method of accounting. Note 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 are transactions in which one party to the transaction is a federal entity and the other is a non-federal entity.

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

D. Recent Accounting Announcements

FASAB has announced that the Board issued SFFAS 64, Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15, and SFFAC 10, Omnibus Concepts Amendments 2024: Amending SFFAC 2 With Note Disclosures and MD&A Concepts and Rescinding SFFAC 3. SFFAS 64 updates the guidance for management's discussion and analysis (MD&A), providing a principle-based approach that merges and updates relevant content from SFFAC 3, Management's Discussion and Analysis, and SFFAS 15, Management's Discussions and Analysis. The accounting standards will not have any impact on the accounting for budgetary activity.

E. Use of Estimates in Preparing Financial Statements

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

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

F. Intragovernmental and with The Public Transactions

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

G. Accounting for Grants

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

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

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

H. Fund Balance with Treasury

FBWT represents the aggregate amount of MCC's accounts with the Department of the Treasury available to pay current and future liabilities and finance authorized purchases, except where prohibited by law. The Department of Treasury processes all cash receipts and disbursements on behalf of MCC. When MCC seeks to use FBWT to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus).

I. Advances and Prepayments

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

J. Accounts Receivable, Net

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

K. Property, Plant, and Equipment, Net

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

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

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

Leases

MCC accounts for leases in accordance with SFFAS 54 in determining whether contractual arrangements conveying the right to control the use of property, plant, and equipment are other than short-term leases. Leases other than short-term leases are recorded on the Balance Sheet as right-to-use assets as part of General Property, Plant and Equipment. MCC's capitalization threshold for right-to-use assets is $100,000. The cost of property, plant and equipment acquired under other than short-term lease is the amount recognized as a liability for the other than short-term lease at its inception. Payments for these leases are recorded against the 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 $45,149 thousand that is reported as not covered by budgetary resources is based on budgetary accounting guidance for recognition of obligations for leases as set forth in OMB Circular A-11, Preparation, Submission, and Execution of the Budget.

Liabilities Not Requiring Budgetary Resources

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

Other Liabilities - Leases

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

Current And Non-Current Liabilities

MCC discloses its other liabilities between current and noncurrent liabilities in accordance with Statement of Federal Financial Accounting Standards 1, *Accounting for Selected Assets and Liabilities*. The current liabilities represent liabilities that MCC expects to settle within 12 months of the 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 include amounts owed but not yet paid to intragovernmental and with the public entities for goods and services received by MCC. MCC estimates and records an accrual when services and goods are performed or received.

N. Federal Employee Benefits Payable

Unfunded Leave

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

Unfunded Federal Employees Compensation Act

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

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

Employee Retirement Benefits

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

O. Net Position

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

Unexpended Appropriations

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

Cumulative Results of Operations

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

P. Foreign currency transactions

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

Q. Classified activities

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

Note 2 – Fund Balance with Treasury

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

(in thousands)	
Unobligated Balance	
Available	$ 2,709,719
Unavailable	31,507
Obligated Balance not yet Disbursed	2,900,357
Non-Budgetary FBWT	1
Total	**$ 5,641,584**

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

Note 3 – Accounts Receivable, Net

Accounts receivable, net as of September 30, 2025, were $7 thousand (net of allowance for doubtful accounts of $3,351 thousand). An allowance for doubtful accounts is recorded for accounts receivable due from the public, to bring accounts receivable to its net realizable value in accordance with SFFAS No. 1, *Accounting for Selected Assets and Liabilities*.

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

As of September 30, 2025, respectively General Property, Plant and Equipment, net is comprised as follows:

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

(in thousands)	Estimated Useful Life	Cost	Accumulated Depreciation / Amortization	Book Value
Leasehold Improvements	10.0 years	$ 8,392	$ (8,250)	$ 142
Furniture	10.0 years	3,788	(3,725)	63
Internal Use Software	5.0 years	15,094	(15,094)	-
Vehicles	5.0 years	111	(111)	-
Right-To-Use Lease Asset - Building	12 years and 5 months	38,254	(2,567)	35,687
Right-To-Use Lease Asset - Oversea Leases	Up to 30 years	7,122	(1,670)	5,452
Total		**$ 72,761**	**$ (31,417)**	**$ 41,344**

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

(in thousands)	
Balance beginning of the year, unadjusted	$ 15,136
Capitalized of Right-To-Use Lease Assets acquisitions	40,500
Dispositions of Right-To-Use Lease Assets acquisitions	(8,279)
Amortization of Right-To-Use Lease Assets, current year	(4,778)
Depreciation and Amortization Expense	(1,235)
Balance at End of Year	**$ 41,344**

Note 5 – Liabilities Not Covered by Budgetary Resources

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

(in thousands)	
Intragovernmental	
FECA	
Other Unfunded Unemployment Related Benefits	$ 139
Total Intragovernmental	139
Other than Intragovernmental	
Annual Leave Liability	4,249
Lease Liability	45,149
Total Liabilities Not Covered by Budgetary Resources	49,398
Total Liabilities Covered by Budgetary Resources	140,189
Total Liabilities Not Requiring Budgetary Resources	-
Total Liabilities	**$ 189,726**

Note 6 – Other Liabilities

MCC's other total liabilities as of September 30, 2025, are comprised as follows:

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

Note 7 – Federal Employee Benefits Payable

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

(in thousands)		
Annual Unfunded Leave Liability	$	4,250
Accrued Funded Payroll and Leave		6,192
Employer Contributions and Payroll Taxes Payable		72
Total Liabilities	**$**	**10,514**

Note 8 – Leases

MCC leases office space in a building in Washington, DC. The lease is for a 12-year and five-month lease term with an effective date of December 1, 2024, and a termination date of April 30, 2037. The lease includes a rent-free period of 17 months at the beginning of the lease term. The termination liability as of September 30, 2025, was $16,674 thousand and excludes rent. The discount rate used to calculate the right-to-use asset and liability amount was based on rates provided by the Department of Treasury. A 4.25% rate has been applied to the lease based on the commencement date and total lease term.

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

As of September 30, 2025, there were over 14,000 leases established within the overseas housing pools. Of those, over 13,000 leases met the definition of Right-To-Use (RTU) Assets and Liabilities under SFFAS 54. The discount rates used to calculate the right-to-use asset and liability amounts is based on rates provided by the Department of Treasury. Rates are applied to leases based on their commencement date and total lease term, ranging between 3.63% - 5.00% as of September 30, 2025.

The combined lease expense recognized for the year ended September 30, 2025, totaled $2,654 thousand – with $1,403 thousand attributable to the allocated housing pool.

The future lease payments as of September 30, 2025, due for the building and short-term leases are set out below with the exception of the overseas housing pool which is as of September 30, 2025:

Future Lease Payments Due

Right to use leases

(in thousands)

Fiscal Year	Asset Category									Total
	Franklin Court			Oversea Leases - House Pool			Oversea Leases - Land			
	Principal	Interest	Subtotal	Principal	Interest	Subtotal	Principal	Interest	Subtotal	
FY 2026	$ (418)	$ 418	$ -	$ 883	$ 229	$ 1,112	$ 19	$ 6	$ 25	$ 1,137
FY 2027	(19)	1,706	1,687	800	191	991	20	5	25	2,703
FY 2028	2,500	1,637	4,137	671	157	828	20	4	24	4,989
FY 2029	2,721	1,527	4,248	574	129	703	21	3	24	4,975
FY 2030	2,954	1,406	4,360	475	105	580	22	2	24	4,964
After FY 2030	31,475	5,596	37,071	1,990	517	2,507	23	1	24	39,602
Total Future Lease Payments	**$ 38,799**	**$ 12,704**	**$ 51,502**	**$ 5,392**	**$ 1,326**	**$ 6,719**	**$ 125**	**$ 21**	**$ 146**	**$ 58,367**

Short-term leases

(in thousands)

Fiscal Year	Asset Category			Federal	Non-Federal
	Vehicle	Copier	Total		
FY 2025	$ 2	$ 12	$ 14	$ -	$ 14
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	**$ 9**	**$ 164**	**$ 173**	**$ -**	**$ 173**

Note 9 – Accrued Grant Liabilities

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

(in thousands)

Grant Accrual	$ 77,972
Retentions	48,811
Total	**$ 126,783**

Note 10 - Commitments and Contingencies

MCC's program execution results in commitments of future obligations with country-specific accountable entities. Upon signing the agreement with the government, MCC obligates a smaller portion of the funding to support the pre-implementation activities and commits the remainder of the funding until Entry into Force (EIF). When the necessary milestones for EIF are met, the committed funds are recorded as an obligation. As of September 30, 2025, MCC had commitments for the Belize, Cote d'Ivoire Regional Compact, Mozambique II, Sierra Leone, Timor-Leste and Zambia compacts and Mauritania threshold totaling on a combined basis $ 2,069,752 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, 2025, two AEs had agreements subject to performance guarantees which in aggregate are not to exceed $42,646 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.

Unobligated Balance from Prior Year's Budget Authority, Net

During the year ended September 30, 2025, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2024. These adjustments are comprised of downward adjustments to undelivered orders that were obligated in a prior fiscal year.

The adjustments for the year ending September 30, 2025, are presented below:

Net Adjustments to Unobligated Balance, Brought Forward, October 1

(in thousands)	
Unobligated Balance Bought Forward from Prior Year	$ 2,256,210
Adjustments to Budgetary Resources Made During Current Year	
Downward Adjustments of Prior Year Orders	42,949
	42,949
Unobligated Budgetary Resources from Prior Year Budget Authorities	**$ 2,299,159**

The table below documents there are no differences between the FY 2024 Statement of Budgetary Resources and the actual amounts reported for FY 2024 in the Budget of the U.S. Government released in 2026. Since the FY 2025 financial statements will be reported prior to the release of the Budget of the U.S. Government, MCC is reporting for FY 2024 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 2025 actual data will be available on https://www.whitehouse.gov/omb/budget/

(in millions)

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	$ 4,027	$ 1,771	$ (731)
Other - Rounding	(1)	-	(2)
Budget of the U.S. Government	**$ 4,026**	**$ 1,771**	**$ (733)**

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, 2025, is comprised as follows:

(in thousands)

Intragovernmental	
Paid	$ 887
Unpaid	7,344
Total Intragovernmental	8,231
Other than Intragovernmental	
Paid	82,684
Unpaid	2,752,809
Total Other than Intragovernmental	2,835,493
Total	**$ 2,843,724**

Note 13 – Reconciliation of Net Cost to Net Outlays

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

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

(in thousands)	Intra-governmental	Other than Intra-governmental	Total
Net Operating Cost	**$ 39,887**	**$ 766,384**	**$ 806,271**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(1,235)	(1,235)
Right-to-Use Lease Amortization	-	(4,778)	(4,778)
Property, plant, and equipment disposals and revaluatior	-	126	126
Increase/(decrease) in assets:			
Accounts Receivable, net	-	(11)	(11)
Other Assets	(673)	(6,201)	(6,874)
(Increase)/decrease in liabilities:			
Accounts payable	(504)	2,726	2,222
Federal Employee Salary, Leave, and Benefits Payable		701	701
Other Liabilities	3,019	-	3,019
Grant Accrual Liability	-	(13,196)	(13,196)
Financing sources:			
Imputed Cost	(7,445)	-	(7,445)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(5,603)	(21,868)	(27,471)
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Right-to-Use Lease Principal Outlay	-	948	948
Financing sources:			
Donated services	-	-	-
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	948	948
Misc Items:			
Acquisition of capital assets	1	-	1
Total Other Reconciling Items	1	-	1
Total Net Outlays (Calculated Total)	$ 34,285	$ 745,464	$ 779,749
Budgetary Agency Outlays, net			$ 779,749

Note 14 – Subsequent Event

In November 2025 MCC commenced the termination of twelve programs as of September 30, 2025, these programs represented $394,498 thousand in commitments and $774,2236 thousand in undelivered orders.

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

Audit of MCC's Financial Statements for Fiscal Year 2025

Audit Report 0-MCC-26-001-C
December 18, 2025

Office of Audits, Inspections, and Evaluations

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

MEMORANDUM

DATE: December 18, 2025

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

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

SUBJECT: Audit of MCC's Financial Statements for Fiscal Year 2025 (0-MCC-26-001-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC's) financial statements for fiscal year 2025. 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, as applicable to independent public accountants.

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. Based on our review, we found no instances in which RMA failed to 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, 2025, were presented fairly, in all material respects; (2) evaluate MCC's internal controls over financial reporting; and (3) determine whether MCC complied with applicable laws, regulations, contracts, and grant agreements. To answer the audit objectives, the audit firm assessed risk, considered internal controls, and designed audit procedures relevant to MCC's fair presentation of its 2025 financial statements.

The audit firm concluded that MCC's financial statements for the fiscal year ending September 30, 2025, 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

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performed, and no reportable noncompliance with applicable laws, regulations, contracts, and grant agreements.

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

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

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Independent Auditor's Report

To

The Board of Directors
Millennium Challenge Corporation

The Inspector General
United States Agency for International Development

In our audit of the fiscal year 2025 financial statements of the Millennium Challenge Corporation (MCC), we found

- MCC's financial statements as of and for the fiscal years ended September 30, 2025, 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 2025 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 (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 sheet as of September

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

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30, 2025; the related statement of net cost, changes in net position, and budgetary resources for the fiscal year 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, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

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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.

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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, Payment Integrity Information Act Reporting, and Grant Programs. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Report on Internal Control over Financial Reporting

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

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of MCC's internal control over financial reporting. Given these limitations, during our 2025 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 2025 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.

[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.

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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]

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, 2025, 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.

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

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 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.

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2025 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.

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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
December 12, 2025

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Appendix I: Management's Response

MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

DATE:	December 15, 2025
TO:	Khadija Walker Deputy Assistant Inspector General for Office of Audits, Inspections, and Evaluations Office of Inspector General United States Agency for International Development
FROM:	Abdel Maliky /s/ Abdel G Maliky Digitally signed by Abdel G Maliky Date: 2025.12.15 09:52:23 -05'00' Acting Vice President and Chief Financial Officer Department of Administration and Finance Millennium Challenge Corporation
SUBJECT:	MCC's Management Response to the Draft Audit Report, "Audit of MCC's Financial Statements for Fiscal Year 2025," dated December 12, 2025

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 Year 2025," dated December 12, 2025. MCC concurs with the conclusions of the report and is proud that it again identified no material weaknesses or significant deficiencies. This is recognition of the continued dedication to improvement that has been maintained to support this level of excellence. We look forward to sustaining 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 Lori Giblin, Chief Risk Officer, by email at giblinlm@mcc.gov.

CC: Damian Wilson, Principal Director, OIG, USAID
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Appendix II: Status of Prior Year Findings

Fiscal Year	No.	Recommendation	Type	FY 2025 Status
N/A	**N/A**	**None – All prior year findings have been closed.**	**N/A**	**N/A**

Other Information

(Unaudited)

Summaries of Financial Statements Audit and Management Assurances

Table 5: 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 6: 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	*No lack of compliance noted*	*No lack of compliance noted*
2. Accounting Standards	*No lack of compliance noted*	*No lack of compliance noted*
3. USSGL at Transaction Level	*No lack of compliance noted*	*No lack of compliance noted*

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.

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, MCC's FY 2023 risk assessment process, and the information reported in previous Agency Financial Reports and AMR. 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, 2025 (i.e., on or before September 30, 2023).

Table 7: Summary of Expired, but not Closed, Federal grants and cooperative agreements (awards) as of September 30, 2025

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	1	-	2
Total Amount of Undispersed Balances (in thousands)	$ 7	$ -	$ -

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
CSRS	Civil Service Retirement System
D	
DATA Act	Digital Accountability and Transparency Act of 2014
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

Acronym	Definition
I	
IBC	Interior Business Center
IT	Information Technology
M	
MCC	Millennium Challenge Corporation
O	
OCEO	Office of the Chief Executive Office
OFF	Oracle Federal Financial System
OMB	Office of Management and Budget
OPM	Office of Personnel Management
P	
PL	Public Law
PIIA	Payment Integrity Information Act of 2019
PP&E	Property, Plant, and Equipment
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

MCC Welcomes Your Comments

MCC welcomes comments and suggestions regarding this report.

Please contact MCC at:

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

or write to:

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MILLENNIUM
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UNITED STATES OF AMERICA

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