Audit of Federal Communications Commission's FY 2022 Financial Statements

Report Number

22-AUD-06-01

November 15, 2022

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UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: November 15, 2022

TO: Chairwoman

FROM: Inspector General

SUBJECT: Audit of the Federal Communications Commission's Financial Statements for Fiscal Year 2022 (Report No. 22-AUD-06-01)

As required by the Accountability of Tax Dollars Act of 2002 (Pub. L. 107-289), the Office of Inspector General (OIG) engaged the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to audit, in accordance with generally accepted government auditing standards, the FCC's fiscal year (FY) 2022 financial statements.

Kearney's reports include an opinion report on FCC's financial statements, a report on internal control over financial reporting, and a report on compliance and other matters. Kearney found that the financial statements were fairly presented in all material respects, in conformity with U.S. lly accepted accounting principles. In addition, Kearney did not find any reportable instances of noncompliance with laws, regulations, and contracts applicable to FCC.

However, Kearney identified several deficiencies in information technology (IT) controls for FCC and Universal Service Fund (USF). Kearney deemed the aggregate of the IT control deficiencies to be a significant deficiency in internal controls over financial reporting. The significant deficiency in IT controls is a repeat finding from the fiscal year 2021 and prior year audit reports.

The internal control report summarizes the IT control deficiencies noted during the Federal Information Security Management Act (FISMA) evaluation and IT control testing performed in support of the financial statement audit. Kearney made 21 recommendations to improve the effectiveness of IT controls over FCC and Universal Service Administrative Company systems. The details of the IT findings and recommendations are included in the separate FISMA evaluation report.

Kearney is responsible for the attached audit reports, dated November 15, 2022, and the conclusions expressed therein. In connection with our contract, we reviewed Kearney's reports and related documentation and inquired of its representatives. Our review disclosed no instances where Kearney did not comply, in all material respects, with Government Auditing Standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S.

generally accepted auditing standards, was not intended to enable us to express opinions. Accordingly, we do not express opinions on FCC's financial statements or internal control over financial reporting, or on compliance with laws and regulations and other matters.

The Office of Inspector General appreciates the cooperation and courtesies you extended to our staff and Kearney's staff during the audit.

cc: Managing Director
Chief of Staff
Chief Financial Officer
Chief Information Officer

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INDEPENDENT AUDITOR'S REPORT

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Federal Communications Commission (FCC), which comprise the consolidated Balance Sheets as of September 30, 2022 and 2021, the related consolidated Statements of Net Cost and Changes in Net Position and Custodial Activity, and the combined Statements of Budgetary Resources (hereinafter referred to as the "financial statements") for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the FCC as of September 30, 2022 and 2021 and its net cost of operations, changes in net position, custodial activity, and budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the FCC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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: 1) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; 2) the preparation, measurement, and presentation of Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; 3) the preparation and presentation of Other Information included in the FCC's Agency Financial Report, as well as ensuring the consistency of that information with the audited financial statements and the RSI; and 4) the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCC's ability to continue as a going concern for 12 months beyond the financial statement date.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with *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 the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the FCC's internal control. Accordingly, no such opinion is expressed
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FCC's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and Schedule of Budgetary Resources by Major Account and Land (hereinafter referred to as the "RSI") be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing it for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the Other Information included in the annual report. The Other Information comprises the Summary of Financial Statement Audit, Summary of Management Assurances, Payment Integrity, Schedule of Civil Monetary Penalties, and Office of Inspector General's Management and Performance Challenges and 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 audits 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01, we have also issued reports, dated November 15, 2022, on our consideration of the FCC's internal control over financial reporting and on our tests of the FCC's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2022. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government*

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Auditing Standards and OMB Bulletin No. 22-01 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
November 15, 2022

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the FCC's financial statements, and we have issued our report thereon dated November 15, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the FCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the FCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the FCC's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 22-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings, that we consider to be a significant deficiency.

We noted certain additional matters involving internal control over financial reporting that we will report to the FCC's management in a separate letter.

The Federal Communications Commission's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the FCC's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Commission's Response to Independent Auditor's Reports section of the Agency Financial Report. The FCC's response was not subjected to the other auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the FCC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2022

Schedule of Findings

I. Information Technology *(Modified Repeat Condition)*

Background: The Federal Communications Commission (FCC) uses information systems to compile information for financial reporting purposes, including the FCC's core financial management and accounting system, Genesis. The FCC's general information technology (IT) support system serves as the gateway for users to access FCC information and information systems, including Genesis. In addition, because the FCC's financial statements include financial transactions relating to the Universal Service Fund (USF) programs, the FCC relies upon general IT support systems and specific applications utilized by the administrator of the USF programs (i.e., Universal Service Administrative Company [USAC]).

Kearney & Company, P.C. (Kearney) separately performed an evaluation of the FCC's Information Security Program, as required by the Federal Information Security Modernization Act of 2014 (FISMA) and issued a separate report. In addition to the work performed during our FISMA evaluation, we performed risk-based procedures focused on IT controls that could lead to significant misstatements of, or corruption to, the financial data needed for the FCC's financial statements. We performed this work in accordance with the Government Accountability Office's (GAO) Federal Information System Controls Audit Manual (FISCAM). Many of the IT control areas of FISMA overlap with those in FISCAM, such as Risk Management, Access Controls, Configuration Management, and Information Security Continuous Monitoring (ISCM). Other IT controls areas are unique to FISCAM due to their relevance to financial management and reporting, such as segregation of duties and application controls. Additionally, we performed risk-based procedures related to the core financial management system utilized by USAC to administer the USF programs, the Financial Operations System (FOS), as well as USAC's Schools and Libraries (S&L) account and application management system, E-Rate Productivity Center (EPC). Similar to the FCC, USAC's general IT support system is the gateway for users to access USAC's FOS. The fiscal year (FY) 2022 FISMA evaluation report includes detailed information for each identified finding.

Condition: The following summarizes the IT control deficiencies noted during the FISMA evaluation and FISCAM testing in support of the financial statement audit. In aggregate, Kearney considers these control deficiencies to be a significant deficiency.

- **FCC General IT Support System –** The FY 2022 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted the FCC's general IT support system, including Risk Management, Identity and Access Management, Configuration Management, and ISCM. Most notably, the FCC did not enforce the use of Personal Identity Verification (PIV) credentials as a dual-factor authentication mechanism for logical access, nor did it consistently remediate identified network vulnerabilities within the timeframes required by FCC policy. Additionally, the FCC did not update its Risk Management Framework (RMF) documentation in accordance with the National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision (Rev.) 5, *Security and Privacy Controls for Information Systems and Organizations*, nor did it consistently develop Plans of Action and Milestones (POA&M) to track all security weaknesses noted during reviews. Further, the FCC did not complete efforts to ensure compliance with the established Center for Internet Security (CIS) benchmarks for baseline configurations, nor did it consistently ensure all changes to the FCC's general IT support system were approved prior to implementation.

- **USAC Systems Utilized in Administering the USF Programs** – The FY 2022 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted the USAC's general IT support system, FOS/GP, and EPC, including Risk Management, Identity and Access Management, and Configuration Management. USAC did not complete efforts to ensure the general IT support system complied with the established CIS benchmarks for baseline configurations, which FOS relies on to maintain baseline configurations. Further, USAC did not consistently perform reviews of required auditable events captured in an EPC application audit log in accordance with USAC's policies and internal control documentation. Required auditable events include access changes to EPC user accounts.

Cause: The FCC and USAC's ongoing efforts to implement planned corrective actions to remediate longstanding IT deficiencies continue to require prioritization. Specific causal information for each issue identified during the FY 2022 FISMA evaluation is addressed in the Non-Public FISMA Evaluation Report.

Effect: Inadequate controls over IT security can affect the integrity of financial applications, which increases the risk that unauthorized individuals could access sensitive financial information or that financial transactions could be altered, either accidentally or intentionally. IT deficiencies increase the risk that the FCC will be unable to report financial data in an accurate and timely manner.

Recommendations: Our full FY 2022 FISMA evaluation report included 21 recommendations intended to improve the effectiveness of the FCC's Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, and ISCM. Fifteen of the recommendations relate to the FCC and six of the recommendations relate to USAC. Of the 15 FCC recommendations, 12 relate to FISCAM control areas. All six of the USAC recommendations related to FISCAM control areas.

* * * * *

APPENDIX A: STATUS OF PRIOR-YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the audit report on the Federal Communications Commission's (FCC) fiscal year (FY) 2021 financial statements,[1] we noted two reportable findings. The statuses of the FY 2021 internal control findings are summarized in ***Exhibit 1***.

Exhibit 1: Statuses of Prior-Year Findings

Control Deficiency	FY 2021 Status	FY 2022 Status
Information Technology	Significant Deficiency	Significant Deficiency
Inaccurate Recognition of Federal Communications Commission Non-Exchange Revenue	Significant Deficiency	Closed

During the FY 2021 financial statement audit, Kearney & Company, P.C. (Kearney) made specific recommendations to the FCC related to the control deficiencies, as noted above, to strengthen the FCC's internal control environment over financial reporting. The statuses of the FY 2021 internal control recommendations are summarized in ***Exhibit 2***.

Exhibit 2: Statuses of Prior-Year Recommendations

Related Control Deficiency	Recommendation Description	FY 2022 Status
Information Technology[2]	Kearney issued 13 information technology (IT)-related recommendations in FY 2021.	7 Open 6 Closed
Inaccurate Recognition of Federal Communications Commission Non-Exchange Revenue	Kearney issued three FCC revenue-related recommendations in FY 2021.	Closed

[1] The *Independent Auditor's Report on Internal Control Over Financial Reporting* was published in the FCC's FY 2021 Agency Financial Report (AFR).

[2] Kearney issued 13 recommendations in the FY 2021 Federal Information Security Modernization Act of 2014 (FISMA) evaluation report. During FY 2022, the FCC took appropriate action to close six recommendations, and we either updated or re-issued the seven recommendations that remain open. The FY 2022 FISMA evaluation report includes additional, detailed information on each of the 13 prior-year recommendations.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS

To the Chairwoman, Managing Director, and Inspector General of the Federal Communications Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the FCC's basic financial statements, and we have issued our report thereon dated November 15, 2022.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the FCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the FCC. However, providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 22-01. Although our audit procedures did not identify any instances of known noncompliance as of and for the year ended September 30, 2022, FCC management was in the process of confirming two potential instances of noncompliance with the Antideficiency Act (ADA) based on events that occurred in fiscal years (FY) 2011 and 2019. Specifically, the FCC identified potential ADA noncompliance related to certain types of contracting actions and their resulting obligations in FY 2011. In addition, a negative cash balance in the Clearinghouse Fund for International Telecommunications Settlements (ITS) was identified in FY 2019. The ADA prohibits the FCC from obligating or expending Federal funds in advance or in excess of an appropriation, as well as from accepting voluntary services. These potential instances of noncompliance were still being researched by the FCC as of September 30, 2022.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 22-01 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2022

Commission's Response to Independent Auditor's Reports

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSON

Office of the Managing Director

DATE: November 15, 2022

TO: David L. Hunt, Inspector General

FROM: Mark Stephens, Managing Director
Jae Seong, Chief Financial Officer
Allen Hill, Chief Information Officer

SUBJECT: Management's Response to Independent Auditor's Reports on Internal Control over Financial Reporting and Compliance with Laws, Regulations, Contracts, and Grant Agreements for Fiscal Year 2022

Thank you for the opportunity to review and comment on the draft reports entitled *Independent Auditor's Report on Internal Control over Financial Reporting and Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements*. As always, the Federal Communications Commission (FCC or Commission) appreciates the efforts of the Office of Inspector General and its independent auditor, Kearney and Company, to work with the FCC throughout the annual financial statement audit process.

We are pleased that, for the seventeen straight year, the independent auditor provided an unmodified ("clean") opinion and found that the Commission's consolidated financial statements for Fiscal Year (FY) 2022 present fairly, in all material respects, the financial position of the Commission as of September 30, 2022. In addition, the results of the audit tests disclosed no instances of noncompliance or other matters that are required to be reported.

Despite this successful outcome, work remains here at the Commission. The FY 2022 audit report identified one significant deficiency related to information technology controls. We concur with the recommendations made by the independent auditors in their reports.

We look forward to working in FY 2023 to resolve the FY 2022 audit findings and to enhance the culture of integrity, accountability, and excellence that exists here at the Commission.

Mark Stephens Digitally signed by Mark Stephens Date: 2022.11.15 06:23:46 -05'00'

Mark Stephens
Managing Director
Office of Managing Director

Jae Seong Digitally signed by Jae Seong Date: 2022.11.15 05:49:25 -05'00'

Jae Seong
Chief Financial Officer
Office of Managing Director

ALLEN HILL Digitally signed by ALLEN HILL Date: 2022.11.15 07:39:49 -05'00'

Allen Hill
Chief Information Officer
Office of Managing Director

Principal Statements

Federal Communications Commission

Balance Sheets

As of September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022	FY 2021
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 31,764,119	$ 105,212,774
Accounts receivable, net (Note 4)	8	361
Advances and prepayments	1,726	1,639
Total intragovernmental	31,765,853	105,214,774
Other than intragovernmental:		
Accounts receivable, net (Note 4)	685,877	823,087
General property, plant and equipment, net (Note 5)	95,084	84,202
Advances and prepayments	13,024	18,024
Total other than intragovernmental	793,985	925,313
Total assets	$ 32,559,838	$ 106,140,087
Liabilities (Note 6):		
Intragovernmental:		
Accounts payable	$ 103	$ 1,402
Other liabilities (Note 7)		
Liability to the General Fund of the U.S. Government for custodial and other non-entity assets	3,114,831	84,234,840
Other liabilities	4,307	3,868
Total other liabilities	3,119,138	84,238,708
Total intragovernmental	3,119,241	84,240,110
Other than intragovernmental:		
Accounts payable	992,321	828,732
Federal employee benefits payable	24,822	26,503
Advances from others and deferred revenue	505,520	153,756
Other liabilities (Note 7)		
Prepaid contributions	102,265	44,563
Accrued liabilities for USF and TRS	596,528	490,897
Deposit/Unapplied liability	2,509	606,917
Other	26,459	23,362
Total other liabilities	727,761	1,165,739
Total other than intragovernmental	2,250,424	2,174,730
Total liabilities	$ 5,369,665	$ 86,414,840
Commitments and contingencies (Note 8)		
Net position:		
Unexpended Appropriations-Funds from Dedicated Collections (Note 9)	$ 759,909	$ 819,020
Unexpended Appropriations-Funds from other than Dedicated Collections	19,526,104	11,728,689
Total Unexpended Appropriations (Consolidated)	20,286,013	12,547,709
Cumulative Results of Operations-Funds from Dedicated Collections (Note 9)	6,642,083	6,948,472
Cumulative Results of Operations-Funds from other than Dedicated Collections	262,077	229,066
Total Cumulative Results of Operations (Consolidated)	6,904,160	7,177,538
Total net position	27,190,173	19,725,247
Total liabilities and net position	$ 32,559,838	$ 106,140,087

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Statements of Net Cost
For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022	FY 2021
Gross Program costs:		
Pursue a "100 Percent" Broadband Policy:		
Net Program Cost	$ 14,509,156	
Promote Diversity, Equity, Inclusion, and Accessibility:		
Net Program Cost	612,312	
Empower Consumers:		
Net Program Cost	649,358	
Enhance Public Safety and National Security:		
Net Program Cost	51,084	
Advance America's Global Competitiveness:		
Net Program Cost	101,861	
Foster Operational Excellence:		
Net Program Cost	115,386	
Closing the Digital Divide:		
Net Program Cost		10,162,259
Promoting Innovation:		
Net Program Cost		1,322,277
Protecting Consumers and Public Safety:		
Net Program Cost		69,006
Reforming the FCC's Processes:		
Net Program Cost		125,676
Net Program Costs	$ 16,039,157	$ 11,679,218
Less: earned revenues not attributed to programs	(546,566)	(536,365)
Net cost of operations	$ 15,492,591	$ 11,142,853

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Statements of Changes in Net Position and Custodial Activity
For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022			FY 2021		
	Funds from Dedicated Collections Consolidated (Note 9)	Funds from Other than Dedicated Collections Consolidated	Consolidated Total	Funds from Dedicated Collections Consolidated (Note 9)	Funds from Other than Dedicated Collections Consolidated	Consolidated Total
Unexpended Appropriations:						
Beginning Balances	$ 819,020	$ 11,728,689	$ 12,547,709	$ 857,848	$ 150,738	$ 1,008,586
Changes in Unexpended Appropriations:						
Appropriations received	-	14,200,000	14,200,000	-	12,586,950	12,586,950
Appropriations Used	(59,111)	(6,402,585)	(6,461,696)	(38,828)	(1,008,999)	(1,047,827)
Total Unexpended Appropriations: Ending Balance	$ 759,909	$ 19,526,104	$ 20,286,013	$ 819,020	$ 11,728,689	$ 12,547,709
Cumulative Results of Operations:						
Beginning Balances	6,948,472	229,066	7,177,538	6,251,781	191,954	6,443,735
Changes in Cumulative Results of Operations:						
Net cost of operations (+/-)	9,141,222	6,351,369	15,492,591	10,192,060	950,793	11,142,853
Financing Sources:						
Appropriations Used	59,111	6,402,585	6,461,696	38,828	1,008,999	1,047,827
Other than intragovernmental non-exchange revenue	8,775,722	-	8,775,722	10,846,069	-	10,846,069
Intragovernmental non-exchange revenue	-	390	390	3,854	50	3,904
Imputed financing from costs incurred by other entities	-	12,789	12,789	-	13,240	13,240
Other	-	(31,384)	(31,384)	-	(34,384)	(34,384)
Net Change in Cumulative Results of Operations	(306,389)	33,011	(273,378)	696,691	37,112	733,803
Total Cumulative Results of Operations	6,642,083	262,077	6,904,160	6,948,472	229,066	7,177,538
Net position, end of period	$ 7,401,992	$ 19,788,181	$ 27,190,173	$ 7,767,492	$ 11,957,755	$ 19,725,247

	FY 2022	FY 2021
Net Custodial Activities:		
Custodial Revenue:		
Other cash collections		
Spectrum auctions	$ 22,514,626	$ 85,564,050
Fines & penalties	48,568	207,301
Total cash collections	22,563,194	85,771,351
Accrual adjustments:		
Fines & penalties	(313)	8,718
Refunds and other payments		
Auctions Salaries & Expenses (FCC)	(128,621)	(134,495)
Net custodial revenue	22,434,260	85,645,574
Distribution of Collections:		
Amounts transferred to Federal entities		
Treasury	(81,137,544)	(207,301)
Spectrum Relocation Fund (OMB)	(22,418,284)	(4,466,079)
Public Safety Trust Fund (NTIA)	1,552	(4,476,093)
(Increase)/Decease in Amounts Yet to be Transferred (+/-)	81,120,016	(76,496,101)
Retained by reporting entity	-	-
Total distribution of collections	(22,434,260)	(85,645,574)
Net custodial activity	$ -	$ -

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Statements of Budgetary Resources

For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

	FY 2022	FY 2021
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ 3,709,243	$ (8,023,330)
Appropriations (discretionary and mandatory)	23,162,823	23,338,751
Spending authority from offsetting collections (discretionary and mandatory)	511,294	509,487
Total budgetary resources	$ 27,383,360	$ 15,824,908
Status of Budgetary Resources		
New obligations and upward adjustments (total)	$ 24,816,411	$ 13,209,824
Unobligated balance, end of year		
Apportioned, unexpired accounts	15,004,559	11,485,161
Exempt from apportionment, unexpired accounts	(12,438,228)	(8,870,348)
Unapportioned, unexpired accounts	43	34
Unexpired unobligated balance, end of year	2,566,374	2,614,847
Expired unobligated balance, end of year	575	237
Unobligated balance, end of year (total)	2,566,949	2,615,084
Total budgetary resources	$ 27,383,360	$ 15,824,908
Outlays, Net		
Outlays, net (total) (discretionary and mandatory)	$ 15,235,623	$ 11,152,514
Distributed offsetting receipts (-)	(40,251)	(34,679)
Agency outlays, net (discretionary and mandatory)	$ 15,195,372	$ 11,117,835

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands unless otherwise stated)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Federal Communications Commission (FCC or Commission) is an independent United States government agency, established by the Communications Act of 1934 (Act), as amended. The Commission is charged with regulating interstate and international communications by radio, television, wire, satellite, and cable. The Commission's jurisdiction spans the 50 states, the District of Columbia, and the U.S. possessions. The Commission is directed by five Commissioners who are appointed by the President of the United States and confirmed by the Senate for five-year terms, except when filling an unexpired term or serving in holdover status.

The Commission is comprised of three reporting components. The primary component consists of Commission headquarters and field offices. The two additional components are the Universal Service Fund (USF) and the Telecommunications Relay Service (TRS) Fund. The USF reports the results of the four universal service programs (established pursuant to section 254 of the Act, as amended), and the Connected Care Pilot Program (CCPP). Section 510 of Division E of the Consolidated Appropriations Act, 2022, P. L. No. 117–103, amended Section 302 of the Universal Service Anti-deficiency Temporary Suspension Act, Title III of P. L. No. 108-494, extending the universal service programs exemption from the application of the provisions of the Anti-deficiency Act until December 31, 2022. Accordingly, the USF is not subject to apportionment by the Office of Management and Budget (OMB). The TRS Fund was established by the Americans with Disabilities Act of 1990, Title IV, and is not exempt from the Anti-deficiency Act and must be apportioned by OMB before funds are available for use. Information regarding disclosure entities is separately disclosed in Note 17.

B. Accounting Policies

The consolidated and combined financial statements (financial statements) have been prepared from the accounting records of the Commission and its components, in conformity with U.S. generally accepted accounting principles (GAAP) and the form and content for federal entity financial statements specified by OMB Circular No. A-136, *Financial Reporting Requirements—Revised*. Custodial activity reported on the Statement of Changes in Net Position and Custodial Activity is prepared on the modified cash basis.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

C. Fund Balance with Treasury and Funds from Dedicated Collections

Funds with the U.S. Department of the Treasury (Treasury) primarily represent general, revolving, special, and deposit funds. The Commission may use the general and revolving funds to finance expenses, depending on budgetary availability. The special funds are used to account for dedicated collections and deposit funds are used to hold amounts temporarily until they can be properly disbursed or distributed.

Note 1 – Summary of Significant Accounting Policies (continued)

D. Classified Activities

Statement of Federal Financial Accounting Standards (SFFAS) 56, *Classified Activities*, requires 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.

E. Accounts Receivable, Net

Accounts Receivable consists of claims made for payment from the public and other federal entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts.

The Commission's portion of the allowance for doubtful accounts is determined by applying predetermined percentages against the respective date the receivable was established. An additional analysis of higher dollar value receivables is also performed on individual account balances. As such, an additional allowance for doubtful accounts for the higher dollar value receivables may be recorded considering inherent uncertainties and risks.

The USF portion of the allowance is determined by calculating an estimated general allowance for doubtful accounts receivable. The general allowance is calculated by multiplying the receivable amounts by the percentage of the estimated uncollectible amount as determined by a review of historical collection rates by type of receivable.

In addition, the Commission's Emergency Connectivity Fund (ECF) and the USF's E-Rate programs have Commitment Adjustment (COMAD) receivables. COMAD or audit receivables are subject to appeal and are not considered final until the appeals period has lapsed, or a final determination has been issued.

The TRS portion of the allowance is based on estimated exposure to risk of nonpayment of billed balances, primarily based collection experience. The allowance includes reserves for identified bankruptcies, identified inactive contributors, contributors on appeal more than two years, delinquent amounts that are referred to Treasury for collection, and other items. The TRS administrator periodically reviews the estimates and may change the assessment of recoverability based on actual results.

F. General Property, Plant and Equipment, Net

The basis for recording purchased General Property, Plant, and Equipment (PP&E) is full cost, including all costs incurred to bring the PP&E to and from a location suitable for its intended use. The capitalization threshold is $100 for PP&E and $200 for internally developed software with an estimated useful life of two years or more. There is no capitalization of bulk purchases of similar items. PP&E is depreciated on a straight-line basis over the estimated useful lives of the items.

The following chart summarizes the PP&E classifications with related estimated useful lives:

PP&E Classification	Estimated Useful Lives (years)
Building	40
Non-Computer Equipment	7
Computer & Vehicle Equipment	5
Software	3

Note 1 – Summary of Significant Accounting Policies (continued)

F. General Property, Plant and Equipment (continued)

Land, including permanent improvements, and software in development are not depreciated. Normal maintenance and repair costs are expensed as incurred.

Leasehold and building improvements, which includes all cost incurred during the design and construction phase of the improvement, are either amortized over the remaining life of the lease and building or the useful life of the improvement, whichever is shorter.

G. Advances and Prepayments

Intragovernmental advances and prepayments represents advance payments for intragovernmental agreements. Advances and prepayments with the public represent the balance of transfers less expenses made by the USF to the Universal Service Administrative Company (USAC), the USF administrator, to fund administrative costs in advance. Advances are drawn down as expenses are incurred and a balance typically remains in this account for future expenses.

H. Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities represent a probable future outflow or other sacrifice of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by available budgetary resources. Liabilities cannot be liquidated without legislation that provides resources to do so. Payments of all liabilities other than contracts can be abrogated by the U.S. Government, which is a sovereign entity, and its components, which includes the Commission.

The USF and TRS expenses are non-exchange expenses. Accrued Liabilities for USF mostly represent liabilities recorded for anticipated subsidies in the Lifeline program, and for all legacy support mechanisms within the High Cost program and TRS support mechanisms. An Accounts Payable accrual is recorded for subsidies related to support mechanisms in TRS and the following USF programs: Connect America Fund (CAF) Phase II, CAF Phase II reverse auction (CAF II Auction), Rural Broadband Experiment, Alternative Connected America Cost Model (A-CAM), A-CAM II, Alaska Plan, Puerto Rico and the Virgin Islands, and Rural Digital Opportunity Fund (RDOF). The Commission does not accrue for payments under the E-Rate or Rural Health Care programs until potentially eligible costs pass through a thorough review process and the costs are approved for disbursement.

Similar to the USF Rural Health Care and E-Rate programs, the expenses related to the Coronavirus Disease of 2019 (COVID-19) Telehealth Program, the Secure and Trusted Networks Communications Act Reimbursement Program, known as the Supply Chain Reimbursement Program (SCRP), and the ECF are non-exchange expenses. The Commission does not accrue payments under the COVID-19 Telehealth Program, SCRP or ECF until submitted eligible expenses are approved for payment. The Emergency Broadband Connectivity Fund's Emergency Broadband Benefit Program (EBCF-EBBP) and Affordable Connectivity Program (ACP) expenses are also non-exchange and similar to the Lifeline program, and as such, the Commission accrue the expected payments. Refer to Note 18 for more information.

Accrued Liabilities for the TV Broadcaster Relocation Fund (TVBRF) represent liabilities for exchange expenses which includes invoices received but not processed and costs incurred but not invoiced related to relocation costs incurred by full power and Class A broadcasters that were reassigned to new channels as a result of the Broadcast Incentive Auction, as well as certain costs incurred by multichannel video program

Note 1 – Summary of Significant Accounting Policies (continued)

I. Advances From Others and Deferred Revenue

distributors (MVPDs), Television translator stations (LPTV/TV Translator) and by FM radio stations (FM stations). For this program, an accrued liability for invoices received but not processed and for costs incurred but not invoiced is made to Accounts Payable.

The Commission's advances from others and deferred revenue consists entirely of deferred revenue. The Commission collects proceeds from the sale of spectrum licenses on behalf of the U.S. Government. All proceeds collected up to the amount of the net winning bid are recognized as deferred revenue until a "prepared to grant" or "grant" public notice is issued.

In addition, the Commission collects multi-year regulatory fees for five and ten-year periods that are recorded as deferred revenue and amortized over the period of the fee.

The TRS collects contributions from telecommunications carriers to cover the costs of the programs. Some carriers have the option of paying monthly or annually. The unearned portion of annual contributions is recognized as deferred revenue.

J. Retirement Plans and Other Benefits

Federal employee benefits consist of the actuarial portion of future benefits earned by federal employees, including pensions, other retirement benefits, and other post-employment benefits. The Office of Personnel Management (OPM) administers these benefits. The Commission does not recognize any liability on the Balance Sheet for pensions, other retirement benefits, and other post-employment benefits. The Commission recognizes and allocates the imputed costs on the Statement of Net Cost and recognizes imputed financing related to these costs on the Statement of Changes in Net Position.

Pensions provide benefits upon retirement and may also provide benefits for death, disability, or other separations from employment before retirement. Pension plans may also include benefits to survivors and dependents, and they may contain early retirement or other special features. Most Commission employees participate in the Civil Service Retirement System (CSRS), the Federal Employee Retirement System (FERS), the FERS-Revised Annuity Employee (FERS-RAE), or the FERS-Further Revised Annuity Employee (FERS-FRAE). Under CSRS, the Commission makes matching contributions equal to seven percent (7%) of basic pay. Under all FERS plans, the Commission contributes the employer's matching share for Social Security. All employees are eligible to contribute to the Thrift Savings Plan (TSP), which is a defined contribution retirement savings and investment plan. For those employees covered by the FERS plans, a TSP account is automatically established to which the Commission is required to contribute one percent (1%) of gross pay, match dollar-for-dollar on the first three percent (3%) of pay contributed each pay period, and match 50 cents on the dollar for the next two percent (2%) of pay contributed. No government contributions are made to the TSP accounts established by CSRS employees. Most employees hired after December 31, 1983, are covered by the FERS plans.

OPM reports on CSRS, FERS, FERS-RAE, and FERS-FRAE assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to Federal employees. The actuarial liability for future workers' compensation benefits payable includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases, as well as a component for incurred but not reported claims. The liability is determined using historical benefit payment patterns related to injury years to predict the ultimate payment.

Note 1 – Summary of Significant Accounting Policies (continued)

J. Retirement Plans and Other Benefits (continued)

The unfunded Federal Employees' Compensation Act (FECA) liability covers compensation and medical benefits for work related injury. The calculation takes the amount of benefit payments over the last nine to twelve quarters and then calculates the annual average of payments. The compensation and medical payments can be found in the chargeback reports that are issued by the Department of Labor.

K. Leave

Annual leave is accrued as earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current leave balances and pay rates. Annual leave is reflected as a liability not covered by current budgetary resources. Sick leave and other types of non-vested leave are expensed as taken.

L. Exchange Revenue, Non-Exchange Revenue, and Financing Sources

Regulatory Fee Offsetting Collections (Exchange) – Pursuant to 47 U.S.C. § 159, the Commission assesses and collects regulatory fees to recover the costs incurred in carrying out its mission through its strategic goals: Pursue a "100 Percent" Broadband Policy; Promote Diversity, Equity, Inclusion, and Accessibility; Empower Consumers; Enhance Public Safety and National Security; Advance America's Global Competitiveness; and Foster Operational Excellence. Since 1993, Congress has annually reviewed the regulatory fee collection requirements of the Commission and established the total fee levels to be collected in annual Appropriations Acts. Fees collected up to the level established by Congress are applied against the Commission's appropriation at the close of each fiscal year. The Repack Airwaves Yielding Better Access for Users of Modern Services Act of 2018 (RAY BAUM'S Act), Division P of P.L. 115-141, requires the Commission to transfer all excess regulatory fee collections from prior and subsequent fiscal years to the General Fund of the Treasury for the sole purpose of deficit reduction. The Commission collected the appropriated regulatory fee levels of $381,950 for FY 2022 and $374,000 for FY 2021. Excess collections of $4,995 in FY 2022 and $3,780 in FY 2021 were transferred to the Treasury for the sole purpose of deficit reduction. As of September 30, 2022, the Commission transferred excess regulatory fee collections totaling $150,044 to the Treasury.

Competitive Bidding System Offsetting Collections (Exchange) – One of the Commission's primary functions is managing the spectrum auctions program. Proceeds from the auctions are initially remitted to the Commission and are later transferred either to the Treasury or to the appropriate agency as required by applicable laws. Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. Collections used to offset the cost of performing auctions-related activity were appropriated at $128,621 for FY 2022 and $134,495 for FY 2021.

Radio Spectrum Auction Proceeds (Exchange) – In accordance with the provisions of SFFAS 7, *Accounting for Revenue and Other Financing Sources*, the Commission accounts for this exchange revenue as a custodial activity. Revenue from spectrum auctions is recognized when a "prepared to grant" or "grant" public notice is issued. The value of available spectrum is determined in the marketplace at the time of auction. The Commission recognized $22,514,626 of custodial revenue (net of accrual adjustments) related to spectrum auctions in FY 2022 and $85,564,050 in FY 2021. In FY 2022, the Commission transferred $81,088,976 to the Treasury and $22,418,284 to Spectrum Relocation Fund administered by the OMB. In FY 2021, the Commission transferred $4,476,093 to the Public Safety Trust Fund that is managed by the National Telecommunications and Information Administration (NTIA) and $4,466,079 to the Spectrum Relocation Fund.

Note 1 – Summary of Significant Accounting Policies (continued)

L. Exchange Revenue, Non-Exchange Revenue, and Financing Source (continued)

Application Fees (Exchange) – Pursuant to 47 U.S.C. § 158, the Commission collects application processing fees at such rates as the Commission establishes in a schedule of application fees to recover the costs of the Commission to process applications. Section 8(b) of the Act requires the Commission, in every even-numbered year, to adjust the schedule of application fees to reflect increases or decreases in the Consumer Price Index (CPI), rounded to the nearest $5 increment. In addition to the CPI adjustment as required by 8(b) of the Act, section 8(c) of the Act requires the Commission to, by rule, amend the application fee schedule if the Commission determines that the schedule requires amendment so that: (1) such fees reflect increases or decreases in the costs of processing applications at the Commission or (2) such schedule reflects the consolidation or addition of new categories of applications. Application fees are deposited in the Treasury and are not available for the Commission's use. Application fee revenue totaled $24,876 in FY 2022 and $28,553 in FY 2021. The most recent Report and Order establishing application fees based on cost to implement the RAY BAUM'S Act of 2018was adopted by the Commission on December 23, 2020 and released on December 29, 2020. In the *2020 Application Fees Report and Order*, the Commission adopted a new schedule of application fees that aligns with the types of applications the Commission receives and correlates the fees charged to the direct costs of processing the associated applications.

900 Megahertz (MHz) Anti-Windfall Program (Exchange) – On May 13, 2021, the Commission realigned the 900 MHz band to make available six megahertz of low-band spectrum for the development of critical wireless broadband technologies and services, while reserving the remaining four megahertz of spectrum for continued narrowband operations. Applicants that relinquish less than six megahertz of spectrum are required to make an anti-windfall payment before the Commission will grant its 900 MHz broadband segment application. Anti-windfall payment revenue totaled $1,123 in FY 2022 and $2,002 in FY 2021.

Reimbursable Work Agreements (Exchange) – The Commission recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services rendered. The Commission executed agreements totaling $1,076 in FY 2022 and $831 in FY 2021.

Allocation of Exchange Revenues – The Commission reports the entire balance of exchange revenue on the line "Less: earned revenues not attributed to programs" since there is no direct relationship between earned revenues and specific programs.

USF and TRS (Non-Exchange) – Carriers conducting interstate telecommunications are required to contribute a portion of their revenues to fund the cost of providing universal service programs and TRS. These contributions represent dedicated collections. In addition to contributions, non-exchanged revenues also include fines, penalties, and interest. Non-exchanged revenues earned in FY 2022 were $7,516,280 by USF and $1,246,630 by TRS. Non-exchanged revenues earned in FY 2021 were $9,292,814 by USF and $1,557,109 by TRS. For more information, refer to Note 9 and Note 19.

Appropriations (Financing Source) – The Commission receives a Salaries and Expense appropriation from Congress. These funds are used to pay for operations during the fiscal year and are repaid to the Treasury once regulatory fees are collected. Since FY 2014, Congress has authorized the Commission to retain its appropriation as available until expended. The Commission's no-year appropriations were $381,950 for FY 2022, and $374,000 for FY 2021, which includes $33,000 specifically dedicated to implement the requirements of the Broadband Deployment Accuracy and Technological Availability Act (Broadband DATA Act). In FY 2021, Consolidated Appropriations Act, 2021, Division N – Additional Coronavirus Response and Relief, 2021 P. L. No. 116-260, (Division N) appropriated an additional $249,950 to the

Note 1 – Summary of Significant Accounting Policies (continued)

L. Exchange Revenue, Non-Exchange Revenue, and Financing Source (continued)

Commission's COVID-19 Telehealth Program (Round 2) to help health care providers provide telehealth services to patients at their homes or mobile locations in response to the COVID-19 pandemic and authorized additional $65,000 for the Broadband DATA Act implementation.

The Broadband DATA Act, among other things, requires the FCC to collect standardized, granular data on the availability and quality of both fixed and mobile broadband Internet access services, to create publicly available coverage maps, to establish processes for members of the public and other entities to challenge and verify the coverage maps, and to create a common dataset of all locations where fixed broadband internet access service can be installed. Regulatory fee collections fully funded the non-Division N no-year appropriations.

In FY 2022 , the Infrastructure Investment and Jobs Act , 2021 (Infrastructure Act), Congress appropriated $14,200,000 for the Affordable Connectivity Fund (ACF); see Note 1 P for more information. In FY 2021, the EBCF-EBBP, ECF and the SCRP were established and funded by Congressional appropriations. For more information on the EBCF-EBBP, SCRP and ECF see Note 18.

M. Reprogramming

For the year ended September 30, 2022, the Commission received approval for reprogramming $4,120 of prior year de-obligated funds for the space communications monitoring center modernization. In FY 2021, the Commission did not receive approvals for reprogramming of prior year de-obligated funds.

N. Net Position

Net Position is the residual difference between assets and liabilities and is comprised of Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations represents the amount of unobligated and unexpended budget authority. Unobligated Balance is the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. Cumulative Results of Operations is the net difference since the inception of the Commission of (1) expenses and losses and (2) financing sources including appropriations used, revenues, and gains. Net position of funds from dedicated collections is separately disclosed in Note 9.

O. Broadcast Incentive Auction

The Broadcast Incentive Auction (BIA) was authorized by provisions in Title VI of the Middle Class Tax Relief and Job Creation Act of 2012, P. L. No. 112-96 (Spectrum Act). The Spectrum Act established the funding of the TVBRF at $1,750,000. The Spectrum Act requires the Commission to reimburse relocation costs reasonably incurred by full power and Class A broadcasters and MVPDs that were involuntarily reassigned to new channels as a result of the BIA.

Section 511 of Title V of Division E of the Consolidated Appropriations Act, 2018, P. L. No. 115-141, also known as the Reimbursement Expansion Act (REA), appropriated an additional $1,000,000 in new funding for the TVBRF, which increased its cap to $2,750,000 and also expanded the universe of entities eligible for reimbursement to cover the costs reasonably incurred by displaced LPTV/TV Translator to relocate or modify their facilities, and by FM stations to reasonably minimize disruption of their services due to the TV repacking process.

Note 1 – Summary of Significant Accounting Policies (continued)

O. Broadcast Incentive Auction (continued)

The additional $1,000,000 in new funding was appropriated over two fiscal years, $600,000 in FY 2018 and $400,000 in FY 2019. For FY 2018, the REA provides for funding of not more than $350 million to reimburse full power and Class A stations, not more than $150 million for LPTV/TV Translator, and not more than $50 million for FM stations to reimburse such stations for their costs. The REA also provides $50 million in FY 2018 funds for the Commission to use for consumer education relating to the reorganization of broadcast television. The REA did not expressly delineate the use of FY 2019 funds among the various categories of eligible recipients. In implementing the REA for the new universe of entities eligible for reimbursement, the Commission determined in the *REA Report & Order*, adopted March 15, 2021, that reimbursement of full power and Class A stations and MVPDs would be prioritized over reimbursement of LPTV/TV Translator and FM stations.

Pursuant to the REA, the reimbursement period for the TVBRF extends to July 3, 2023. At that time, any unobligated amounts "shall be rescinded and deposited in the general fund of the Treasury." Amounts allocated to stations in the reimbursement program are obligated amounts. There are a small number of TV stations in program which are expected to incur costs as a result of the repack beyond July 3, 2023 due to circumstances beyond their control. Therefore, some such stations may be granted an extension of the final invoice filing deadline beyond July 3, 2023 where such stations: (1) will incur costs after July 3, 2023, (2) can substantiate that the station has diligently pursued construction project during the program period, (3) face circumstances beyond station's control, and (4) provides estimates and documentation sufficient to support a verified estimate for costs to be incurred after July 3, 2023 and receives an allocation of such verified estimate.

As of September 30, 2022, the Commission made a total allocation of $2,041,498 for eligible full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations of which $2,041,253 has been obligated and $1,787,647 has been expended.

Accrued Liabilities are recorded in the TVBRF for exchange expenses which includes invoices received but not processed and for costs incurred but not invoiced. As of September 30, 2022, an accrued accounts payable of $29,917 was recorded for the full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations.

P. Affordable Connectivity Fund

On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act, P.L. 116-260), was signed into law. In the Consolidated Appropriations Act, Congress appropriated $3,200,000 for the Emergency Broadband Connectivity Fund (EBCF) for fiscal year 2021, to remain available until expended or six months after the end of the public health emergency. The Consolidated Appropriations Act directed the Commission to use that funding to establish the Emergency Broadband Benefit Program (EBCF-EBBP), under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic, and participating providers can receive a reimbursement for such discounts. Enrollments in the EBCF-EBBP ceased on December 30, 2021 and the successor program, the Affordable Connectivity Program (ACP) began on December 31, 2021.

On November 15, 2021, the Infrastructure Act , 2021, was signed into law. In the Infrastructure Act, Congress appropriated $14,200,000 to build on the EBCF-EBBP and replace it with the longer-term broadband Affordable Connectivity Program.

Note 1 – Summary of Significant Accounting Policies (continued)

P. Affordable Connectivity Fund (continued)

The Infrastructure Act directed the Commission to use that funding to establish the ACP, under which eligible low-income households may receive a discount off of the cost of broadband service and certain connected devices, and participating providers can receive a reimbursement for passing such discounts on to eligible households. The Infrastructure Act also permitted the Commission to use that funding to conduct outreach for and raise awareness of the ACP. The Commission set aside $100,000 for this outreach effort and $10,000 for broadband mapping.

To participate in the ACP, a provider must elect to participate, and either be designated as an eligible telecommunications carrier or be approved by the Commission. Participating providers make available to eligible households a monthly discount off the cost of an Internet service offering and associated equipment, up to $30 dollars per month. On Tribal lands, the monthly discount may be up to $75 dollars per month. Participating providers receive reimbursement from the ACP for the discounts provided. Participating providers that also supply an eligible household with a laptop, desktop computer, or tablet (connected device) may receive a single reimbursement of up to $100 dollars for the connected device, if the charge to and payment from the eligible household for that device is more than $10 dollars but less than $50 dollars. A participating provider may receive reimbursement for only one supported device per eligible household. Providers must submit certain certifications to the Commission to receive reimbursement from the ACP, and the Commission is required to adopt audit requirements to ensure provider compliance and prevent waste, fraud, and abuse.

In implementing the ACP, the Infrastructure Act permits the Commission to apply rules contained in part 54 of the Commission's rules, including those governing the Lifeline program. The Infrastructure Act further permits the Commission to avail itself of USAC's services to administer the ACP. Consistent with the Infrastructure Act, the Commission adopted a *Report and Order* on January 14, 2022 adopting the rules and policies creating and governing the ACP. The Commission's Wireline Competition Bureau, other Commission staff and USAC have established processes and systems to administer the ACP, including approval and election processes for broadband providers to participate, consumer application and enrollment processes, and provider reimbursement processes. Consumers can apply for the ACP through the National Verifier at acpbenefit.org or through service providers' alternative verification processes.

As of September 30, 2022, approximately 14.1 million households were enrolled in the ACP. In FY 2022, the FCC obligated $2,049,376 and had net outlays of $1,496,528 for the ACP and broadband mapping. For EBCF-EBBP obligations and net outlays see Note 18.

Q. Connect America Fund

After completing the Connect America Fund Phase II reverse auction (CAF II Auction), the FCC committed to award a potential total of $1,488,330 over a 10-year period. As of September 30, 2022, the FCC has directed USAC to obligate a total of $1,476,785 for carriers who have successfully complied with the requirements to be eligible to receive support to provide fixed broadband and voice services to over 700,000 locations in 45 states. There are $3,999 bids in default as of September 30, 2022, leaving a balance of $7,546 to be obligated. In addition, the FCC committed to award a potential total of $170,400 to carriers that won the CAF II New York Auction over a 10-year period. As of September 30, 2022, FCC has directed USAC to obligate a total amount of $65,487, with remaining balance of $104,913 to be obligated. There were $131 for CAF II and $89 for CAF II New York de-obligation due to lack of CFR compliance as of September 30, 2022.

Note 1 – Summary of Significant Accounting Policies (continued)

R. Rural Digital Opportunity Fund (RDOF)

Pursuant to a public notice, DA 20-1422, released by the Rural Broadband Auctions Task Force (RBATF), Wireline Competition Bureau (WCB), and the Office of Economics and Analytics (OEA) on December 7, 2020, there were 180 winning bidders in the Rural Digital Opportunity Fund Phase I auction (Auction 904), with the 10-year support amount totaling $9,230,688 and covering 5,220,833 locations in 49 states and one territory. As of September 30, 2022, the FCC has directed USAC to obligate a total of approximately $5,199,679 for the applicants who have successfully complied with the requirements to be eligible to receive support to provide voice and broadband services. As of September 30, 2022, the Commission has announced that applicants have defaulted on a total of approximately $2,417,586 in support associated with winning bids. Applicants defaulted on their winning bids for various reasons.

S. Comparison and Other

Certain FY 2021 amounts have been reclassified to conform to the FY 2022 presentation. Specifically, the Statement of Changes in Net Position (SCNP) and the Statement of changes in Custodial Activity (SCA). The FCC collects revenue on behalf of the Treasury. These collections do not affect the FCC's net position. To demonstrate more clearly the relationship between the FCC's net position and its custodial activity, the FCC is reporting its SCNP and SCA together in one presentation. The presentation of the FY 2021's SCNP and SCA were modified to be consistent with the FY 2022 presentation.

Note 2 – Non-entity Assets

The following summarizes Non-entity Assets as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Intragovernmental:		
Fund Balance with Treasury	$ 3,567,869	$ 84,938,731
Accounts Receivable	-	351
Total Intragovernmental	3,567,869	84,939,082
Accounts Receivable, Net	28,150	23,283
Total Non-entity Assets	3,596,019	84,962,365
Total Entity Assets	28,963,819	21,177,722
Total Assets	$ 32,559,838	$ 106,140,087

Non-entity Fund Balance with Treasury (FBWT) primarily represents auction deposits. Accounts receivable considered non-entity include regulatory fees, application fees, fines and forfeitures, spectrum auctions, and International Telecommunications Settlement (ITS) charges.

Note 3 – Fund Balance with Treasury

The following summarizes FBWT as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 2,566,331	$ 2,614,812
Unavailable	17,715	17,367
Obligated Balance not yet Disbursed	25,612,204	17,641,864
Non-Budgetary FBWT	3,567,869	84,938,731
Total	$ 31,764,119	$ 105,212,774

The FBWT includes general funds, revolving funds, special funds, and deposit funds.

General Funds – Includes the salaries and expense appropriation used to fund agency operations, COVID-19 Telehealth Program, Broadband DATA Act program, ACP, EBCF-EBBP, SCRP, ECF, the auction and reimbursable accounts, the credit reform program account, other no-year accounts used to carry over spectrum auction funds, offsetting collections, and the Office of Inspector General USF funds.

Revolving Funds – Includes the credit reform financing account used to record cash flows associated with the Commission's spectrum auction loan program.

Special Funds – Includes funds from TVBRF, USF and TRS fund. TVBRF is for relocation costs reasonably incurred by full power and Class A broadcasters, MVPDs, LPTV, TV Translator, and FM stations who were involuntarily reassigned to new channels or incurred reimbursable expenses as a result of the BIA, and for consumer education relating to the reorganization of broadcast television. Universal Service Funds are for the four USF programs and the CCPP. The USF programs are exempt from the application of the provisions of the Anti-deficiency Act by Congress through December 31, 2022 and are not subject to an apportionment by OMB.

Deposit Funds – Includes monies being held for ITS, regulatory fees and spectrum auctions. Deposit funds are non-budgetary and are not available for use by the Commission unless they are properly identified or reclassified as Commission funds. Otherwise, these funds are returned to the depositor or transferred to the Treasury General Fund or other federal agencies.

Note 4 – Accounts Receivable, Net

The following summarizes Accounts Receivable, Net as of September 30, 2022 and September 30, 2021:

FY 2022	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 8	$ 1,903,554	$ 1,903,562
Allowance for Doubtful Accounts	-	(1,217,677)	(1,217,677)
Accounts Receivable, Net	$ 8	$ 685,877	$ 685,885

Note 4 – Accounts Receivable (continued)

FY 2021	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 361	$ 2,017,259	$ 2,017,620
Allowance for Doubtful Accounts	-	(1,194,172)	(1,194,172)
Accounts Receivable, Net	$ 361	$ 823,087	$ 823,448

The following summarizes accounts receivable by type as of September 30, 2022 and September 30, 2021:

	FY 2022			FY 2021		
	Accounts Receivable	Allowance	Net	Accounts Receivable	Allowance	Net
USF	$ 1,157,472	$ (525,345)	$ 632,127	$ 1,267,232	$ (516,841)	$ 750,391
TRS	101,103	(78,248)	22,855	118,377	(73,677)	44,700
Regulatory Fees	33,270	(22,198)	11,072	27,509	(21,230)	6,279
Spectrum Auction	8,680	(8,680)	-	8,680	(8,680)	-
Civil Monetary Penalties	586,225	(573,425)	12,800	580,919	(566,556)	14,363
ECF	4,370	(2,379)	1,991	-	-	-
Other	12,442	(7,402)	5,040	14,903	(7,188)	7,715
Total	$ 1,903,562	$ (1,217,677)	$ 685,885	$ 2,017,620	$ (1,194,172)	$ 823,448

The Commission expects to collect 100% of intragovernmental receivables and no allowance is recorded.

Note 5 – General Property, Plant and Equipment, Net

The following table summarizes total PP&E and accumulated depreciation as of September 30, 2022 and September 30, 2021.

	FY 2022 Net PP&E	FY 2021 Net PP&E
Balance beginning of year	$ 84,202	$ 79,878
Capitalized acquisitions	30,539	24,031
Depreciation expense	(19,657)	(19,707)
Balance at end of year	$ 95,084	$ 84,202

Note 6 – Liabilities Not Covered by Budgetary Resources

The following summarizes Liabilities Not Covered by Budgetary Resources as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Intragovernmental:		
FECA Liability	$ 422	$ 435
Unemployment Liability	-	2
Total Intragovernmental	422	437
Unfunded Leave	22,418	24,547
Actuarial FECA Liability	1,676	1,953
Other:		
Energy Savings Performance Contract	6,362	6,610
Accrued Liabilities for USF and TRS	596,528	490,897
Total liabilities not covered by budgetary resources	627,406	524,444
Total liabilities covered by budgetary resources	1,157,311	934,309
Total liabilities not requiring budgetary resources	3,584,948	84,956,087
Total Liabilities	$ 5,369,665	$ 86,414,840

Liabilities not covered by budgetary resources are liabilities incurred that are not covered by realized budgetary resources as of the Balance Sheet date.

Note 7 – Other Liabilities

The following summarizes Other Liabilities as of September 30, 2022 and September 30, 2021:

	FY 2022	FY 2021
Intragovernmental		
Liability to the General Fund and Other Non-Entity Assets	$ 3,114,831	$ 84,234,840
Other	4,307	3,868
Total Intragovernmental	3,119,138	84,238,708
Other than Intragovernmental		
Prepaid Contributions	102,265	44,563
Accrued Liabilities for USF and TRS	596,528	490,897
Deposit/ Unapplied Liability	2,509	606,917
Other	26,459	23,362
Total Other than Intragovernmental	727,761	1,165,739
Total Other Liabilities	$ 3,846,899	$ 85,404,447

The Liability to the General Fund and Other Non-Entity Assets includes both cash collected, and net accounts receivable being held for transfer to the Treasury General Fund or other Federal agencies. The

Note 7 – Other Liabilities (continued)

Commission collects the following types of custodial revenue: fines and forfeitures revenue, penalty revenue on regulatory fees and spectrum auctions program revenue.

Prepaid Contributions include USF and TRS contribution overpayments that may be refunded or used to offset future payments. Accrued Liabilities for USF and TRS primarily represent anticipated future payments for the Lifeline program, and certain support mechanisms within the High Cost program and Telecommunications Relay Service. The obligations for these subsidies are not recognized until payment files are approved in the subsequent month. Remaining Other Liabilities primarily represent anticipated payments related to payroll and other services, Energy Saving Performance Contract, and funds received that are being held until proper application is determined.

Note 8 – Commitments and Contingencies

The Commission is a party in various administrative proceedings, legal actions, and claims brought by or against the agency. The Commission, USAC, and the U.S. Department of Justice are investigating several cases and prosecuting others related to disbursements of universal service funds from its programs which might result in future proceedings or actions. Similarly, the Commission, the TRS fund administrator, and the U.S. Department of Justice are investigating several cases related to the TRS funds. The complexity of these future actions precludes management from estimating the total amount of recovery that may result.

In addition, there are certain operating leases and contracts that may contain provisions regarding contract termination costs upon early contract termination. In the management's opinion, early contract termination will not materially affect the Commission's consolidated financial statements.

As of September 30, 2022, the likelihood of an unfavorable outcome on all current legal cases is considered remote and no additional disclosure is needed.

Note 9 – Funds from Dedicated Collections

The telecommunications companies in the U.S. are obligated to make contributions to the USF and the TRS Fund. The Commission currently recognizes the contributions collected under the USF and TRS as Non-exchange revenue on its Statement of Changes in Net Position and Custodial Activity, and the related disbursements as program expenses on the Statement of Net Cost. The program costs for the USF are allocated to the strategic goal Pursue a "100 Percent" Broadband Policy, and the program costs for the TRS are allocated to strategic goals Promote Diversity, Equity, Inclusion and Accessibility and Empower Consumers.

As previously discussed, the Spectrum Act requires the Commission to reimburse relocation costs reasonably incurred by full power and Class A broadcasters and MVPDs who are involuntarily reassigned to new channels as a result of the BIA. In FY 2018, Congress appropriated additional funding and also expanded the universe of entities eligible for reimbursement. These reimbursement costs are accounted for in the U.S. Budget as the "TV Broadcaster Relocation Fund," which is funded by forward auction proceeds and direct appropriations. The Commission recognized the reimbursement costs for the TVBRF as program expenses on the Statement of Net Cost.

The Commission had no activity related to Gifts and Bequests in FYs 2022 and 2021.

Note 9 – Funds from Dedicated Collections (continued)

The following pages summarize the significant assets, liabilities, and costs incurred related to the TVBRF, USF and TRS as of September 30, 2022 and September 30, 2021. The information below is shown on a combined and consolidated bases. The Commission had no eliminations between dedicated collection funds. Therefore, the combined and consolidated are the same.

FY 2022	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2022				
Intragovernmental				
Fund Balance with Treasury	$ 972,308	$ 6,280,370	$ 539,923	$ 7,792,601
Total intragovernmental assets	972,308	6,280,370	539,923	7,792,601
Other than intragovernmental				
Accounts receivable, net	734	632,156	22,880	655,770
General property, plant, and equipment, net	-	11,492	1,072	12,564
Advances and prepayments	-	13,024	-	13,024
Total other than intragovernmental	734	656,672	23,952	681,358
Total assets	$ 973,042	$ 6,937,042	$ 563,875	$ 8,473,959
Other than intragovernmental				
Accounts payable	$ 31,386	$ 329,606	$ 5,537	$ 366,529
Deferred revenue	-	-	6,645	6,645
Prepaid contributions	-	100,349	1,916	102,265
Accrued liabilities	-	386,751	209,777	596,528
Total liabilities	$ 31,386	$ 816,706	$ 223,875	$ 1,071,967
Unexpended appropriations	$ 759,909	$ -	$ -	$ 759,909
Cumulative results of operations	181,747	6,120,336	340,000	6,642,083
Total liabilities and net position	$ 973,042	$ 6,937,042	$ 563,875	$ 8,473,959
Statement of Net Cost for the Year Ended September 30, 2022				
Net cost of operations	$ 70,406	$ 7,848,368	$ 1,222,448	$ 9,141,222
Statement of Changes in Net Position for the Year Ended September 30, 2022				
Unexpended Appropriations:				
Beginning balances	$ 819,020	$ -	$ -	$ 819,020
Appropriations used	(59,111)	-	-	(59,111)
Total unexpended appropriations	759,909	-	-	759,909
Cumulative results of operations:				
Beginning balance	193,042	6,439,878	315,552	6,948,472
Appropriations used	59,111	-	-	59,111
Other than intragovernmental non-exchange revenue	-	7,528,826	1,246,896	8,775,722
Net cost of operations	70,406	7,848,368	1,222,448	9,141,222
Net Change in Cumulative Results of Operations	(11,295)	(319,542)	24,448	(306,389)
Cumulative Results of Operations: Ending	181,747	6,120,336	340,000	6,642,083
Net Position, end of period	$ 941,656	$ 6,120,336	$ 340,000	$ 7,401,992

Note 9 – Funds from Dedicated Collections (continued)

FY 2021	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet as of September 30, 2021				
Intragovernmental				
Fund Balance with Treasury	$ 1,098,862	$ 6,404,781	$ 495,349	$ 7,998,992
Total intragovernmental assets	1,098,862	6,404,781	495,349	7,998,992
Other than intragovernmental				
Accounts receivable, net	3,324	750,391	44,733	798,448
General property, plant, and equipment, net	-	11,345	233	11,578
Advances and prepayments	-	18,024	-	18,024
Total other than intragovernmental	3,324	779,760	44,966	828,050
Total assets	$ 1,102,186	$ 7,184,541	$ 540,315	$ 8,827,042
Other than intragovernmental				
Accounts payable	$ 90,124	$ 419,487	$ 5,502	$ 515,113
Deferred revenue	-	-	8,977	8,977
Prepaid contributions	-	42,899	1,664	44,563
Accrued liabilities	-	282,277	208,620	490,897
Total liabilities	$ 90,124	$ 744,663	$ 224,763	$ 1,059,550
Unexpended appropriations	$ 819,020	$ -	$ -	$ 819,020
Cumulative results of operations	193,042	6,439,878	315,552	6,948,472
Total liabilities and net position	$ 1,102,186	$ 7,184,541	$ 540,315	$ 8,827,042
Statement of Net Cost for the Year Ended September 30, 2021				
Net cost of operations	$ (23,809)	$ 8,795,041	$ 1,420,828	$ 10,192,060
Statement of Changes in Net Position for the Year Ended September 30, 2021				
Unexpended Appropriations:				
Beginning balance	$ 857,848	$ -	$ -	$ 857,848
Appropriations used	(38,828)	-	-	(38,828)
Total unexpended appropriations	819,020	-	-	819,020
Cumulative results of operations:				
Beginning balances	130,405	5,942,105	179,271	6,251,781
Appropriations used	38,828	-	-	38,828
Other than intragovernmental non-exchange revenue	-	9,292,814	1,557,109	10,849,923
Net cost of operations	(23,809)	8,795,041	1,420,828	10,192,060
Net Change in Cumulative Results of Operations	62,637	497,773	136,281	696,691
Cumulative Results of Operations: Ending	193,042	6,439,878	315,552	6,948,472
Net Position, end of period	$ 1,012,062	$ 6,439,878	$ 315,552	$ 7,767,492

Note 9 – Funds from Dedicated Collections (continued)

The FY 2022 and FY 2021 funds from dedicated collections are presented on a combined basis. The tables below summarize the elimination of activities between dedicated collections and all other fund types to arrive at the consolidated assets and liabilities as presented on the balance sheet.

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2022					
Assets other than intragovernmental					
Accounts Receivable, Net	$ 655,770	$ 30,186	$ 685,956	$ (79)	$ 685,877
Liabilities other than intragovernmental					
Other liabilities - Other	$ -	$ 26,538	$ 26,538	$ (79)	$ 26,459

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2021					
Assets other than intragovernmental					
Accounts Receivable, Net	$ 798,448	$ 24,672	$ 823,120	$ (33)	$ 823,087
Liabilities other than intragovernmental					
Other liabilities - Other	$ -	$ 23,395	$ 23,395	$ (33)	$ 23,362

Note 10 – Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Commission are recognized as imputed cost in the Statement of Net Cost and are offset by imputed revenue in the Statement of Changes in Net Position. Such imputed costs and revenues relate to employee benefits. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Note 11 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders totaled $24,611,515 as of September 30, 2022 and $16,812,274 as of September 30, 2021. The following summarizes Undelivered Orders as of September 30, 2022 and September 30, 2021:

Note 11 – Undelivered Orders at the End of the Period (continued)

FY 2022	Federal	Non-Federal	Total
Undelivered Orders-Unpaid	$ 11,545	$ 24,585,220	$ 24,596,765
Undelivered Orders-Paid	1,726	13,024	14,750
Total	$ 13,271	$ 24,598,244	$ 24,611,515

FY 2021	Federal	Non-Federal	Total
Undelivered Orders-Unpaid	$ 5,627	$ 16,786,984	$ 16,792,611
Undelivered Orders-Paid	1,639	18,024	19,663
Total	$ 7,266	$ 16,805,008	$ 16,812,274

Note 12 – Permanent Indefinite Appropriations

The Commission has permanent indefinite appropriations available to fund its USF programs and TRS, subsidy costs incurred under credit reform programs, and the development and implementation costs related to the competitive auction program.

Pursuant to 47 U.S.C. § 254 and § 225, the FCC has a permanent indefinite appropriation to fund its universal service programs including the TRS Fund. These programs operate by collecting mandatory contributions from telecommunications carriers providing interstate telecommunications services, and from other providers of interstate telecommunications required to contribute if the public interest so requires.

Credit reform is mainly available to finance any disbursements incurred under the liquidating accounts. These appropriations become available pursuant to standing provisions of law without further action by Congress after transmittal of the budget for the year involved. They are treated as permanent the first year they become available, as well as in succeeding years. However, they are not stated as specific amounts but instead are determined by specified variable factors, such as cash needs for liquidating accounts, and information about the actual performance of a cohort or estimated changes in future cash flows of the cohort in the program accounts.

Pursuant to 47 U.S.C. § 309(j)(8)(B), the FCC can retain proceeds from spectrum auctions for amounts that may be necessary for the costs of developing and implementing the competitive auction program. These retained proceeds are offsetting collections that remain available until expended. Notwithstanding 47 U.S.C. § 309(j)(8)(B), for FY 2022, Congress limited the amount of the auction proceeds that may be retained and made available for obligation to $128,621.

Note 13 – Legal Arrangements Affecting Use of Unobligated Balances

Offsetting collections received in excess of $381,950 in FY 2022 and $374,000 in FY 2021 are precluded from obligation. In addition, the RAY BAUM'S Act requires the Commission to transfer all excess regulatory fees collected from prior and subsequent fiscal years to the Treasury General Fund for the sole purpose of deficit reduction.

Note 14 – Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

There were no material differences between the Combined Statement of Budgetary Resources (SBR) for FY 2021 and the amounts presented in the FY 2023 Budget of the United States Government. The FY 2024 Budget of the United States Government, which will include actual numbers for FY 2022, has not been published at this time. Pursuant to 31 U.S.C. § 1105, the Budget of the United States Government will be released not later than the first Monday in February and will be available at the following website: https://www.whitehouse.gov/omb/budget/.

Note 15 – Custodial Revenues

In accordance with the provisions of SFFAS 7, *Accounting for Revenue & Other Financing Sources*, the Commission collects non-exchange revenues, on a modified cash basis of accounting, and do not affect the Commission's net cost or net position. Custodial collections consist of miscellaneous receipts, and fines and forfeitures to be deposited in the Treasury General Fund. Fines and Forfeitures are made up of consent decrees and forfeiture orders. Forfeiture orders are probable, measurable, and legally enforceable claims, but need to result in a judgement issued by a federal court before they become legally collectible debts. Consent decrees are legally collectible debts. Additionally, the Commission reports exchange revenue associated with radio spectrum auction proceeds on the Statement of Custodial Activity. For more information, refer to Note 1 L. The total custodial non-exchange collections as of September 30, 2022 and September 30, 2021 were $48,568 and $207,301, respectively. There were no material refunds issued for the period ended September 30, 2022 and September 30, 2021.

Note 16 – Reconciliation of Net Cost to Net Outlays (Budget to Accrual Reconciliation)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. 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 following analysis illustrates this reconciliation by listing the Commission's key differences between net cost and net outlays for the reporting period as of September 30, 2022 and September 30, 2021.

Note 16 – Reconciliation of Net Costs to Net Outlays (continued)

FY 2022	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations	$ 115,179	$ 15,377,412	$ 15,492,591
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(19,657)	(19,657)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(1)	(4,099)	(4,100)
Other assets	87	(5,000)	(4,913)
(Increase)/Decrease in Liabilities:			
Accounts payable	1,299	(163,589)	(162,290)
Federal employee benefits payable	-	1,682	1,682
Other liabilities	(439)	(109,591)	(110,030)
Financing sources:			
Imputed cost	(12,789)	-	(12,789)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (11,843)	$ (300,254)	$ (312,097)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	30,539	30,539
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 30,539	$ 30,539
Other Reconciling Items:			
Custodial/non-exchange revenue	(14,259)	-	(14,259)
Other temporary timing differences	-	(1,402)	(1,402)
Total Other Reconciling Items	$ (14,259)	$ (1,402)	$ (15,661)
NET OUTLAYS (Calculated Total)	$ 89,077	$ 15,106,295	$ 15,195,372
Budgetary Agency Outlays, net (SBR 4210)			
Outlays, net (total) (discretionary and mandatory)			15,235,623
Distributed offsetting receipts (-)			(40,251)
Budgetary Agency Outlays, net			$ 15,195,372

Note 16 – Reconciliation of Net Costs to Net Outlays (continued)

FY 2021	Intragovernmental	Other than Intragovernmental	Total
Net Cost of Operations	$ 111,701	$ 11,031,152	$ 11,142,853
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(19,707)	(19,707)
Increase/(Decrease) in Assets:			
Accounts receivable, net	(78)	(18,565)	(18,643)
Other assets	(1,224)	-	(1,224)
(Increase)/Decrease in Liabilities:			
Accounts payable	8,606	(875)	7,731
Federal employee benefits payable	-	(85)	(85)
Other liabilities	203	(10,018)	(9,815)
Financing sources:			
Imputed cost	(13,240)	-	(13,240)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	$ (5,733)	$ (49,250)	$ (54,983)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	24,031	24,031
Total Components of the Budget Outlays That Are Not Part of Net Operating Cost	$ -	$ 24,031	$ 24,031
Other Reconciling Items:			
Custodial/non-exchange revenue	(4,123)	12,549	8,426
Other temporary timing differences	-	(2,492)	(2,492)
Total Other Reconciling Items	$ (4,123)	$ 10,057	$ 5,934
NET OUTLAYS (Calculated Total)	$ 101,845	$ 11,015,990	$ 11,117,835
Budgetary Agency Outlays, net (SBR 4210)			
Outlays, net (total) (discretionary and mandatory)			11,152,514
Distributed offsetting receipts (-)			(34,679)
Budgetary Agency Outlays, net			$ 11,117,835

Note 17 – Disclosure Entities

Universal Service Administrative Company (USAC) – The Commission is responsible for the overall management and oversight of the USF, including all USF policy decisions. USAC was established in 1997 as a not-for-profit subsidiary of the National Exchange Carrier Association, Inc. (NECA), and in that same year, the FCC appointed USAC as the permanent administrator, under the Commission's direction, of the four USF programs. The four USF programs are High Cost, Lifeline, Rural Health Care, and E-Rate. USAC, as the administrator of the USF, is responsible for the effective administration of the USF programs, including billing, collection, and disbursement.

National Exchange Carrier Association, Inc. (NECA) – NECA was established as a non-stock Delaware corporation, which, pursuant to FCC rules, files interstate access tariffs and administers interstate access

Note 17 – Disclosure Entities (continued)

revenue pools for local telephone companies throughout the United States including its territories. NECA performs data collection functions for the High Cost program and bills USAC for the associated costs.

NECA is compensated by USAC in accordance with NECA's Cost Accounting and Procedures Manual. NECA has no management control over USAC and derives no economic benefits from this subsidiary relationship. NECA does not consolidate with USAC's financial statements since it does not meet the criteria for consolidation in accordance with the accounting standards for consolidation of all majority-owned subsidiaries. The investment in USAC, which is carried at cost, is insignificant to these financial statements.

Local Number Portability Administrator (LNPA) Program – The LNPA program facilitates portability of U.S. geographic telephone numbers between telephony service providers. The LNPA program provides and operates the Number Portability Administration Center (NPAC) system that provides local number portability for the United States, performing the service of porting telephone numbers between service providers. The LNPA program is funded by fees the LNPA charges telecommunications service providers for its service, pursuant to FCC rules.

The FCC exercises oversight of the LNPA procurement process and regulates local number portability. The FCC has authorized the telephony service provider industry consortium, North American Portability Management, LLC (NAPM), to procure the LNPA and oversee the LNPA's performance and operation of the LNPA program. Currently iconectiv, LLC is the LNPA under a contract with NAPM; iconectiv, LLC is a subsidiary, subject to a voting trust, of Telefonaktiebolaget LM Ericsson (d/b/a Ericsson), a publicly traded Swedish multinational networking and telecommunications company.

In accordance with SFFAS 47, *Reporting Entity,* the Commission has excluded the North American Numbering Plan Administrator (NANPA) Program and the North American Portability Management, LLC (NAPM) because they are immaterial disclosure entities. None of these entities substantially meet the requirements for consolidated entities. As of September 30, 2022, the likelihood is considered remote of any potential financial and non-financial risks or benefits for the Commission associated with the control of or involvement with USAC, NECA, or LNPA program. USAC and NECA are all not-for-profit corporations and LNPA is a program pursuant to FCC rules. USAC's annual reports are available at https://www.usac.org, while NECA's annual reports are available at https://www.neca.org. LNPA program's annual reports are submitted to North American Portability Management LLC, which provides them to the FCC.

The following summarizes the balances from transactions with Disclosure Entities as of September 30, 2022 and September 30, 2021.

Note 17 – Disclosure Entities (continued)

FY 2022	USAC	NECA	Total
Balance Sheet			
Advances and prepayments (Note 1 G)	$ 13,024	$ -	$ 13,024
Accounts payable[1]	17,475	-	17,475
Statement of Net Cost			
Net cost of operations[2]	$ 220,957	$ 413	$ 221,370
Statement of Changes in Net Position			
Net cost of operations[2]	$ 220,957	$ 413	$ 221,370

FY 2021	USAC	NECA	Total
Balance Sheet			
Advance and prepayments (Note 1 G)	$ 18,024	$ -	$ 18,024
Accounts payable[1]	12,813	-	12,813
Statement of Net Cost			
Net cost of operations[2]	$ 196,364	$ 321	$ 196,685
Statement of Changes in Net Position			
Net cost of operations[2]	$ 196,364	$ 321	$ 196,685

Note 18 – COVID-19 Activity

The charts below summarize the amounts received and used under each program as of September 30, 2022 and September 30, 2021, for the Government-wide Treasury Account Symbol Adjusted Trial-Balance System's (GTAS) Disaster and Emergency Funding (DEF) Codes N, O and V. The authority for the DEF Codes are as follows:

N – Coronavirus Aid, Relief, and Economic Security (CARES) Act, P. L. No. 116-136, Emergency

O – CARES Act, P. L. No. 116-136, Nonemergency; Paycheck Protection Program and Health Care Enhancement Act, P. L. No. 116-139, Nonemergency; Consolidated Appropriations Act, 2021, P. L. No. 116-260, Nonemergency; American Rescue Plan Act of 2021 (ARPA), P. L. No. 117-2, Nonemergency

V – ARPA, P. L. No. 117-2, Nonemergency

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[1] This portion in the accounts payable consists of the USF administrative fees due to USAC and NECA.

[2] This portion of the operation expenses includes the administrative fees incurred in USF. The Commission approves the administrative costs to cover expenses such as: the salaries and benefits for the employees dedicated to managing the funds; rent and utilities for office space used; accounting and other financial reporting related services; and other management activities.

Note 18 – COVID-19 Activity (continued)

FY 2022

COVID-19 Activity Funded by DEF Code N, O & V	COVID-19 Telehealth (Round 1) DEF: N	COVID-19 Telehealth (Round 2) DEF: O	EBCF-EBBP DEF: O	ECF DEF: V	SCRP DEF: O	Total
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$ 5,903	$ 160,256	$ 2,292,443	$ 5,860,909	$ 1,893,182	$ 10,212,693
Rescissions(-)/Other Changes (+/-) to Budgetary Resources	7,587	50	1,277	139,539	-	148,453
Budgetary Resources Obligated (-)	(13,489)	(160,010)	(2,248,470)	(4,598,872)	(1,838,991)	(8,859,832)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	$ 1	$ 296	$ 45,250	$ 1,401,576	$ 54,191	$ 1,501,314
Outlays, Net (Total)	$ 5,274	$ 101,254	$ 2,581,460	$ 1,896,104	$ 7,058	$ 4,591,150

FY 2021

COVID-19 Activity Funded by DEF Code N, O & V	COVID-19 Telehealth (Round 1) DEF: N	COVID-19 Telehealth (Round 2) DEF: O	EBCF-EBBP DEF: O	ECF DEF: V	SCRP DEF: O	Total
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$ -	$ -	$ -	$ -	$ -	$ -
New Budget Authority	-	249,950	3,200,000	7,172,000	1,900,000	12,521,950
Rescissions(-)/Other Changes (+/-) to Budgetary Resources	5,903	-	-	-	-	5,903
Budgetary Resources Obligated (-)	-	(89,694)	(907,557)	(1,311,091)	(6,818)	(2,315,160)
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	$ 5,903	$ 160,256	$ 2,292,443	$ 5,860,909	$ 1,893,182	$ 10,212,693
Outlays, Net (Total)	$ 148,139	$ 1,125	$ 572,662	$ 4,212	$ 2,371	$ 728,509

COVID-19 Telehealth Program (Round 1) – Due to the ongoing novel COVID-19 pandemic, the Commission established the COVID-19 Telehealth Program through a *Report and Order* released on April 2, 2020. The Commission began accepting applications for the COVID-19 Telehealth Program (Round 1) on April 13, 2020 and stopped accepting applications on June 25, 2020. Round 1 of the COVID-19 Telehealth Program was funded through a $200,000 Congressional appropriation as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, to immediately support eligible health care providers responding to the pandemic by providing funding for telecommunications services, information services, and connected devices necessary to provide critical connected care services whether for treatment of the COVID-19 disease or other health conditions during the COVID-19 pandemic. The COVID-19 Telehealth Program is an emergency funding program, not a grant program, that is designed to provide flexibility for eligible health care providers that apply for and receive funding commitments, and then request reimbursement for eligible expenses that they have purchased and received from their service providers or vendors under Round 1 of the COVID-19 Telehealth Program.

In FY 2022, the amount obligated from the de-obligated funds from Round 1 was $13,489 and net outlays were $5,274. The de-obligated fund balance of $1 was carried forward. In FY 2021, the amount obligated for Round 1 was $0 and net outlays were $147,932. The amount of $5,903 was de-obligated and carried forward.

Note 18 – COVID-19 Activity (continued)

COVID-19 Telehealth Program (Round 2) – On December 27, 2020, the Consolidated Appropriations Act, 2021 was signed into law, which appropriated an additional $249,950 to the Commission's COVID-19 Telehealth Program (Round 2) of which $50 was for the Office of Inspector General (OIG). This additional funding allows the Commission to continue its efforts to expand telehealth and connected care throughout the country and enable patients to access necessary health care services while helping slow the spread of the disease. Per congressional mandate, the Commission was required to seek comment on various ideas related to the new funding, including the criteria to use to evaluate applications and how to treat pending applications from Round 1. The Commission released a Public Notice seeking comment on these issues on January 6, 2021. On March 30, 2021, the Commission released a *Report and Order and Order on Reconsideration* setting forth additional details about the policies and procedures that would apply during Round 2. On April 15, 2021, the Bureau released a Public Notice announcing the duration of the Round 2 application filing window, which opened on April 29, 2021 and closed on May 6, 2021.

On August 26, 2021, WCB released a Public Notice announcing the first group of funding to 62 awardees for Round 2, and subsequently released three additional Public Notices, on September 29, 2021, October 21, 2021, and November 9, 2021, announcing additional funding awardees. On July 29, 2022, a Public Notice announced that the deadline for all purchases and implementation of services is October 31, 2022 and the deadline for submission of all invoices and requests for reimbursement is October 31, 2023.

For FY 2022, the Commission obligated $160,010 of the Round 2 funding and had net outlays of $101,254. Unobligated balances of $296 were carried forward. In FY 2021, the Commission obligated $89,694 of the Round 2 funding and had net outlays of $1,125 of budgetary resources. Unobligated balances of $160,256 were carried forward. Also, see Note 1 H and L, and Note 3.

Emergency Broadband Connectivity Fund, Emergency Broadband Benefit Program (EBCF-EBBP) – On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act) was signed into law. In the Consolidated Appropriations Act, Congress appropriated $3,200,000 for the Emergency Broadband Connectivity Fund (EBCF) for FY 2021, to remain available until expended or six months after the end of the public emergency. The Consolidated Appropriations Act directed the Commission to use that funding to establish the Emergency Broadband Benefit Program (EBBP), under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic, and participating providers can receive a reimbursement for such discounts. Enrollments in the EBBP ceased on December 30, 2021 and the successor program, the Affordable Connectivity Program (ACP) began on December 31, 2021. Note 1 P provides information about the ACP which is an extension of the EBCF-EBBP.

For FY 2022, the FCC obligated $2,248,470 of the EBCF-EBBP and had net outlays of $2,581,460. Unobligated balances of $45,250 were carried forward. In FY 2021, the FCC obligated $907,557 of the EBCF-EBBP and had net outlays of $572,662. Unobligated balances of $2,292,443 were carried forward. Also, see Note 1 H and L, and Note 3.

Emergency Connectivity Fund (ECF) – To help schools and libraries provide connected devices, such as a laptop, tablet, or similar end-user devices, and connectivity to students, school staff, and library patrons during the COVID-19 pandemic, Congress established a $7,172,000 ECF (of which $1,000 was for OIG), to remain available until September 30, 2030 as part of the American Rescue Plan Act of 2021 (ARPA) signed into law on March 11, 2021. Pursuant to congressional directive, on March 16, 2021, WCB sought comment on the provision of support from the ECF consistent with section 7402 of the ARPA. Subsequently, on May 10, 2021, the Commission released a *Report and Order*

Note 18 – COVID-19 Activity (continued)

establishing the ECF Program and promulgating rules for the distribution of funding from the ECF. The *Report and Order* also designated the USAC as the program administrator with Commission oversight, and leverages the processes and structures used in the E-Rate Program for the benefit of schools and libraries already familiar with the E-Rate Program. It also adopts procedures to protect the limited funding from waste, fraud, and abuse.

The initial ECF Program application filing window opened on June 29, 2021 and closed on August 13, 2021. During the initial application filing window, eligible schools, libraries, and consortia of eligible schools and libraries, submitted requests for funding to purchase eligible equipment and services between July 1, 2021 and June 30, 2022 for use by students, school staff and library patrons who would otherwise lack sufficient access to connected devices and/or broadband connectivity to engage in remote learning during the COVID-19 emergency period. In view of outstanding demand and the recent spike in coronavirus cases, the FCC opened a second application filing window for schools and libraries to request funding for connected devices and broadband connections for off-campus to meet the unmet needs of students, school staff, and library patrons during the current school year (i.e., July 1, 2021 through June 30, 2022). The second ECF Program application filing window opened on September 28 and closed on October 13, 2021. On March 23, 2022, the Commission announced that a third application filing window would open on April 28, 2022, and close on May 13, 2022. During the third filing window, eligible schools and libraries could request funding for eligible equipment, non-recurring services, and up to 12 months of recurring services that will be delivered or received between July 1, 2022, through December 31, 2023.

For FY 2022, the FCC obligated $4,598,872 and had net outlays of $1,896,104. Unobligated balances of $1,401,576 were carried forward. In FY 2021, the FCC obligated $1,311,091 and net outlays of $4,212. Unobligated balances of $5,860,909 were carried forward. Also, see Note 1 H and L, and Note 3.

<u>Secure & Trusted Communications Networks Reimbursement Program or the Supply Chain Reimbursement Program (SCRP)</u> – On March 12, 2020, the Secure and Trusted Communications Networks Act of 2019 (Secure Networks Act) was signed into law. The Secure Networks Act, among other measures, directed the Commission to establish the SCRP to fund the removal, replacement, and disposal of covered communications equipment or services that pose an unacceptable risk to the national security of the United States or the security and safety of U.S. persons from the networks of providers of advanced communications service. On December 10, 2020, the Commission adopted a *Second Report and Order* implementing the Secure Networks Act by establishing rules for the SCRP. The SCRP provides funding allocations to eligible providers based on their estimated costs. SCRP recipients can then obtain funding disbursements from their allocation upon showing of actual expenses incurred. SCRP recipients have one year from the initial disbursement to complete the permanent removal, replacement, and disposal of covered communications equipment or services, unless a general and individual extensions of that deadline is granted by the Commission. Recipients of SCRP funds shall use these funds solely to: (1) permanently remove covered communications equipment and services from their networks; (2) replace the covered communications equipment and services with non-covered equipment or services; and (3) dispose of the covered communications equipment and services in accordance with the Secure Networks Act.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (Consolidated Appropriations Act), among other things, appropriated $1,900,000 to "carry out" the SCRP. In addition, the legislation amended the Secure Networks Act, expanding program eligibility from providers of advanced communications service with two million or fewer customers to providers with ten million or fewer customers. The Consolidated Appropriations Act also amended the definition of a provider of advanced communications service to specifically include certain non-commercial education institutions, healthcare providers, and libraries providing advanced communications service, and added a method for prioritizing funding that

Note 18 – COVID-19 Activity (continued)

differs from the approach adopted by the Commission in the *Second Report and Order*. The Commission released a *Third Report and Order*, on July 14, 2021, implementing the changes required by the Consolidated Appropriations Act and making additional clarifications about the SCRP. Notably, the Commission stated that the SCRP is limited to reimbursing the costs of removal, replacement, and disposal to communications equipment and service produced or provided by Huawei and ZTE that was obtained on or before June 30, 2020.

On April 28, 2021, WCB announced the selection of a contractor as the SCRP Fund Administrator to assist with processing applications and administering the Reimbursement Program. On August 3, 2021, WCB released a public notice adopting final procedures for and providing eligible providers of advanced communications services with additional guidance regarding the application filing and reimbursement process for the SCRP. WCB also finalized the information fields on the new FCC Form 5640, which participants must submit to request funding allocations and disbursements from the SCRP. The filing window to accept applications to participate in the SCRP opened on October 29, 2021 and closed on January 28, 2022. WCB issued approval and denial decisions on applications on July 15, 2022 and proceeded with issuing allocations consistent with the requirements of the Secure Networks Act and the Commission's rules.

For FY 2022, $1,838,991 was obligated with net outlays of $7,058. Unobligated balances of $54,191 were carried forward. In FY 2021, $6,818 was obligated with net outlays of $2,371. Unobligated balances of $1,893,182 was carried forward. Also, see Note 1 H and L, and Note 3.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government* (*Financial Report*), the U.S. Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the FCC's financial statements and the FCC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2021 *Financial Report* can be found here: Bureau of the Fiscal Service -Reports, Statements & Publications (treasury.gov) and a copy of the 2022 *Financial Report* will be posted to this same site as soon as it is released.

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

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

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Years September 30, 2022 and September 30, 2021

FY 2022 FCC SNC		Line Items Used to Prepare FY 2022 Government-wide SNC			
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**All Other than Dedicated Collections (with Eliminations)**	**Total**	**Reclassified Financial Statement Line**
Gross Costs	$ 16,039,157	$ 9,141,222	$ 6,781,592	$ 15,922,814	*Non-Federal Gross Cost*
	-	-	51,581	51,581	Benefit Program Costs
	-	-	12,789	12,789	Imputed Costs
	-	-	166,169	166,169	Buy/Sell Costs
	-	-	14,423	14,423	Other Expenses (w/o Reciprocals)
	-	-	***244,963***	***244,963***	***Total Intragovernmental Costs***
Total Gross Costs	***$ 16,039,157***	***$ 9,141,222***	***$ 7,026,555***	***$ 16,167,777***	*Total Reclassified Gross Costs*
Earned Revenue[3]	(546,566)	-	(416,867)	(416,867)	Non-Federal Earned Revenue
					Intragovernmental Revenue
	-	-	(129,697)	(129,697)	Buy/Sell Revenue
	-	-	(2)	(2)	Borrowing and Other Interest Revenue
	-	-	***(129,699)***	***(129,699)***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***(546,566)***	-	***(546,566)***	***(546,566)***	***Total Reclassified Earned Revenue***
Gain/Loss-Pension/ORB/OPEB Assumptions					Gain/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost of Operations	**$ 15,492,591**	**$ 9,141,222**	**$ 6,479,990**	**$ 15,621,212**	**Net Cost of Operations**
Exchange Statement of Custodial Activity *Refunds and Other Payments* *Auctions Salaries & Expenses*	**-**	**-**	**(128,621)**	**(128,621)**	Buy/Sell Revenue (Intradepartmental Eliminations for Auctions Salaries & Expenses)[3]
Net Cost of Operations	**$ 15,492,591**	**$ 9,141,222**	**$ 6,351,369**	**$ 15,492,591**	**Net Cost of Operations**

[3] Pursuant to 47 U.S.C. § 309, the Commission may retain a portion of the spectrum auction proceeds to offset the cost of performing the auction function. Collections used to offset the cost of performing auction-related activity were appropriated at $128,621 in FY 2022 and $134,495 for FY 2021. At the agency level these amounts are recognized on the Consolidated Statement of Custodial Activity in the "Refunds and Other Payments" sections on the line "Auctions Salaries & Expenses (FCC)" and the "Less: earned revenues not attributed to programs" on the Consolidated Statement of Net Cost. At the government-wide level these amounts are eliminated on the Reclassified Statement of Net Cost. Also, at the agency level, standard general ledger (SGL) 679000 Other Expenses Not Requiring Budgetary Resources, custodial is not cross walked to the Statement of Net Cost. At the government-wide level, SGL 679000 Other Expenses Not Requiring Budgetary Resources, custodial and non-custodial are cross walked to the Reclassified Statement of Net Cost.

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

AFR Line	2021 FCC SONC	Dedicated Collections Combined	All Other Amounts (with Eliminations)	2021 Reclassified SONC Total	Reclassified Line
Gross Costs	$ 11,679,218	$ 10,192,060	$ 1,374,634	$ 11,566,694	Non-Federal Gross Cost
	-	-	49,402	49,402	Benefit Program Costs
	-	-	13,241	13,241	Imputed Costs
	-	-	35,556	35,556	Buy/Sell Costs
	-	-	14,325	14,325	Other Expenses (w/o Reciprocals)
	-	-	*112,524*	*112,524*	***Total Intragovernmental Costs***
Total Gross Costs	***$ 11,679,218***	***$ 10,192,060***	***$ 1,487,158***	***$ 11,679,218***	***Total Reclassified Gross Costs***
Earned Revenue[3]	(536,365)	-	(401,048)	(401,048)	Non-Federal Earned Revenue
					Intragovernmental Revenue
	-	-	(820)	(820)	Buy/Sell Revenue
	-	-	(2)	(2)	Borrowing and Other Interest Revenue
	-	-	*(822)*	*(822)*	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***(536,365)***	-	***(401,870)***	***(401,870)***	***Total Reclassified Earned Revenue***
Gain/Loss-Pension/ORB/OPEB Assumptions					Gain/Loss on Changes in Actuarial
Net Cost of Operations	**$ 11,142,853**	**$ 10,192,060**	**$ 1,085,288**	**$ 11,277,348**	**Net Cost of Operations**
Exchange Statement of Custodial Activity					
Refunds and Other Payments					
Auctions Salaries & Expenses	-	-	**(134,495)**	(134,495)	Buy/Sell Revenue (Intradepartmental Eliminations for Auctions Salaries & Expenses)[3]
Net Cost of Operations	**$ 11,142,853**	**$ 10,192,060**	**$ 950,793**	**$ 11,142,853**	**Net Cost of Operations**

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Years September 30, 2022 and September 30, 2021

FY 2022 SCNP		Line Items Used to Prepare FY 2022 SCNP			
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**All Other than Dedicated Collections (with Eliminations)**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPRORPATIONS					
Unexpended Appropriations, Beginning Balance	$ 12,547,709	$ 7,767,492	$ 11,957,756	$ 19,725,248	Net Position, Beginning of Period as adjusted
Appropriations Received, General Funds	14,200,000	-	14,200,000	14,200,000	Appropriations Received as Adjusted
Appropriations Used	(6,461,696)	(59,111)	(6,402,585)	(6,461,696)	Appropriations Used
Total Unexpended Appropriations	**$20,286,013**	**$ 7,708,381**	**$ 19,755,171**	**$27,463,552**	
CUMULATIVE RESULTS OF OPERATIONS					
Cumulative Results, Beginning Balance	$ 7,177,538				
Appropriations Used	6,461,696	59,111	6,402,585	6,461,696	Appropriations Used
Non-Exchange Revenue	8,775,722				***Non-Federal Non-Exchange Revenue***
SCA: Sources of Cash Collections: Fines and Penalties	48,568	8,775,722	48,255	8,823,977	Other Taxes and Receipts
SCA: Sources of Cash Collections: Spectrum Auctions	22,514,626	-	22,514,626	22,514,626	Miscellaneous Earned Revenues
SCA: Accrual Adjustments: Fines and Penalties	(313)				
		8,775,722	22,562,881	31,338,603	***Total Non-Federal Non-Exchange Revenues***
					Intragovernmental Non-Exchange Revenue
		-	(22,416,732)	(22,416,732)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government (RC 15)
Non-Exchange Revenue - Intragovernmental	390	-	390	390	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
		-	(22,416,342)	(22,416,342)	***Total Intragovernmental Non-Exchange Revenue***
Total Non-Exchange Revenues	31,338,993	8,775,722	146,539	8,922,261	*Total Reclassified Non-Exchange Revenue*
Imputed Financing	12,789	-	12,789	12,789	Imputed Financing Sources (Federal)
Other	(31,384)				
SCA: Disposition of Collections: (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	81,120,016	-	81,120,009	81,120,009	Accrual for non-entity amounts to be collected and transferred to the General Fund of the U.S. Government (RC 48)
SCA: Disposition of Collections: Transferred to Others:					
U.S. Treasury	(81,137,544)	-	(81,168,922)	(81,168,922)	Non-Entity Collections Transferred to the General Fund
Spectrum Relocation Fund (OMB)	(22,418,284)				
Public Safety Trust Fund (NTIA)	1,552				
		-	(36,124)	(36,124)	*Total Intragovernmental Other*
Total Other	(22,452,855)	-	(36,124)	(36,124)	*Total Reclassified Other*
SCA: Disposition of Collections: Refunds and Other Payments Auctions, Salaries & Expenses (FCC)[3]	(128,621)				
Total Financing Sources	15,219,213				
Net Cost of Operations	15,492,591	9,141,222	6,479,990	15,621,212	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	6,904,160				
Total Net Position	$ 27,190,173	$ 7,401,992	$ 19,788,181	$ 27,190,173	**Net Position - Ending Balance**

Note 19 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

AFR Line	2021 FCC SCNP	Dedicated Collections Combined	All Other Amounts (with Eliminations)	2021 Reclassified SCNP Total	Reclassified Line
UNEXPENDED APPRORPATIONS					
Unexpended Appropriations, Beginning Balance	$ 1,008,586	$ 7,109,629	$ 342,692	$ 7,452,321	Net Position, Beginning of Period
Appropriations Received, General Funds	12,586,950	-	12,586,950	12,586,950	Appropriations Received as Adjusted
Appropriations Used	(1,047,827)	(38,828)	(1,008,999)	(1,047,827)	Appropriations Used
Total Unexpended Appropriations	**$12,547,709**	**$ 7,070,801**	**$ 11,920,643**	**$18,991,444**	
CUMULATIVE RESULTS OF OPERATIONS					
Cumulative Results, Beginning Balance	$ 6,443,735				
Appropriations Used	1,047,827	38,828	1,008,999	1,047,827	Appropriations Expended
Non-Exchange Revenue	10,849,973				*Non-Federal Non-Exchange Revenue*
SCA: Sources of Cash Collections: Fines and	207,301	10,849,923	212,165	11,062,088	Other Taxes and Receipts
SCA: Sources of Cash Collections: Spectrum	85,564,050	-	85,564,050	85,564,050	Miscellaneous Earned Revenues
SCA: Accrual Adjustments: Fines and Penalties	8,718	-	-	-	
		10,849,923	85,776,215	96,626,138	*Total Non-Federal Non-Exchange Revenues*
					Intragovernmental Non-Exchange Revenue
		-	(8,942,172)	(8,942,172)	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government
		-	3,904	3,904	Collections transferred into a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 15)
		-	(8,938,268)	(8,938,268)	*Total Intragovernmental Non-Exchange Revenue*
Total Non-Exchange Revenues	96,630,042	10,849,923	76,837,947	87,687,870	*Total Reclassified Non-Exchange Revenue*
Imputed Financing	13,240	-	13,240	13,240	Imputed Financing Sources (Federal)
Other	(34,384)				
SCA: Disposition of Collections: (Increase)/Decrease in Amounts Yet to be	(76,496,101)		(76,496,101)	(76,496,101)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
SCA: Disposition of Collections: Transferred to Others: U.S. Treasury	(207,301)	-	(241,686)	(241,686)	Non-Entity Collections Transferred to the General Fund
Spectrum Relocation Fund (OMB)	(4,466,079)				
Public Safety Trust Fund (NTIA)	(4,476,093)				
		-	(76,724,547)	(76,724,547)	*Total Intragovernmental Other*
Total Other	(85,666,718)	-	(76,724,547)	(76,724,547)	*Total Reclassified Other*
SCA: Disposition of Collections: Refunds and Other Payments Auctions, Salaries & Expenses (FCC)[3]	(134,495)				
Net Cost of Operations	11,142,853	10,192,060	1,085,287	11,277,347	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	7,177,538	-	-	-	
Total Net Position	$ 19,725,247	$ 7,767,492	$ 11,957,755	$ 19,725,247	**Net Position - Ending Balance**

Required Supplementary Information

A. Schedule of Budgetary Resources by Major Account

For the Years Ended September 30, 2022 and September 30, 2021
(Dollars in thousands)

OMB Circular No. A-136, *Financial Reporting Requirements—Revised*, requires additional disclosure of an entity's budgetary information by major budgetary accounts if the information was aggregated for presentation purposes on the Statement of Budgetary Resources. Major budgetary accounts of the Commission include Salaries and Expenses (S&E), Auctions, COVID-19 Telehealth, EBCF-EBBP, ACF, SCRP, ECF, TVBRF, USF and TRS. S&E represents general salaries and expenses of the Commission. Auctions include salaries and expenses of the spectrum auctions program. The COVID-19 Telehealth Program represents support for eligible health care providers responding to the pandemic by providing funding for telecommunications services, information services, and connected devices necessary to provide critical connected care services whether for treatment of the COVID-19 disease or other health conditions during the COVID-19 pandemic. The EBCF-EBBP under which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices during an emergency period relating to the COVID-19 pandemic. The ACF consists of the ACP which eligible low-income households may receive a discount off the cost of broadband service and certain connected devices; broadband mapping and a grant program. The SCRP represents the program under which reimbursements for the removal, replacement, and disposal of covered communications equipment or services that pose an unacceptable risk to the national security of the United States or the security and safety of U.S. persons from the networks of providers of advanced communications service. The ECF assists schools and libraries by providing connected devices such as laptops, tablets, or similar end-user devices, and connectivity, to students, school staff, and library patrons during the COVID-19 Pandemic. The TVBRF represents reimbursements of relocation costs for eligible entities and for consumer education relating to the reorganization of broadcast television. USF includes the High Cost, Lifeline, Rural Health Care, E-Rate and the CCPP programs. The TRS Fund represents a program established to support relay services necessary for telecommunications access by speech or hearing-impaired individuals. Non-major budgetary accounts are aggregated under the Other column.

Reflected in the following chart are the major budgetary accounts of the Commission that are aggregated and presented in the Combined Statement of Budgetary Resources.

Required Supplementary Information (continued)

A. Schedule of Budgetary Resources by Major Account (continued)

FY 2022	S&E	Auctions	COVID-19 Telehealth	ACF (ACP)	EBCF (EBBP)	SCRP	ECF	TVBRF	USF	TRS	Other	Total
Budgetary Resources:												
Unobligated balance from prior year budget authority, net	$ 126,999	$ 31,708	$ 173,797	$ -	$ 2,293,720	$ 1,893,182	$ 6,000,448	$ 853,967	$ (8,159,749)	$ 492,326	$ 2,845	$ 3,709,243
Appropriations (discretionary and mandatory)	-	-	-	14,200,000	-	-	-	-	7,696,154	1,266,669	-	23,162,823
Spending authority from offsetting collections (discretionary and mandatory)	382,666	128,621	-	-	-	-	-	-	-	-	7	511,294
Total budgetary resources	$ 509,665	$ 160,329	$ 173,797	$ 14,200,000	$ 2,293,720	$ 1,893,182	$ 6,000,448	$ 853,967	$ (463,595)	$ 1,758,995	$ 2,852	$ 27,383,360
Status of Budgetary Resources:												
New obligations and upward adjustments (total)	$ 394,949	$ 117,996	$ 173,499	$ 2,049,376	$ 2,248,470	$ 1,838,991	$ 4,598,872	$ 167,226	$ 11,974,633	$ 1,252,399	$ -	$ 24,816,411
Unobligated balance, end of year:												
Apportioned, unexpired accounts	114,134	42,333	298	12,150,624	45,250	54,191	1,401,576	686,741	-	506,596	2,816	15,004,559
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	-	(12,438,228)	-	-	(12,438,228)
Unapportioned, unexpired accounts	7	-	-	-	-	-	-	-	-	-	36	43
Unexpired unobligated balance, end of year	114,141	42,333	298	12,150,624	45,250	54,191	1,401,576	686,741	(12,438,228)	506,596	2,852	2,566,374
Expired unobligated balance, end of year	575	-	-	-	-	-	-	-	-	-	-	575
Unobligated balance, end of year (total)	114,716	42,333	298	12,150,624	45,250	54,191	1,401,576	686,741	(12,438,228)	506,596	2,852	2,566,949
Total status of budgetary resources	$ 509,665	$ 160,329	$ 173,797	$ 14,200,000	$ 2,293,720	$ 1,893,182	$ 6,000,448	$ 853,967	$ (463,595)	$ 1,758,995	$ 2,852	$ 27,383,360
Outlays, Net:												
Outlays, net (discretionary and mandatory)	$ (16,868)	$ (4,395)	$ 106,528	$ 1,496,528	$ 2,581,460	$ 7,058	$ 1,896,104	$ 126,554	$ 7,820,566	$ 1,222,095	$ (7)	$ 15,235,623
Distributed offsetting receipts (-)	(40,251)	-	-	-	-	-	-	-	-	-	-	(40,251)
Agency outlays, net (discretionary and mandatory)	$ (57,119)	$ (4,395)	$ 106,528	$ 1,496,528	$ 2,581,460	$ 7,058	$ 1,896,104	$ 126,554	$ 7,820,566	$ 1,222,095	$ (7)	$ 15,195,372

Required Supplementary Information (continued)

A. Schedule of Budgetary Resources by Major Account (continued)

FY 2021	S&E	Auctions	COVID-19 Telehealth	EBCF (EBBP)	SCRP	ECF	TVBRF	USF	TRS	Other	Total
Budgetary Resources:											
Unobligated balance from prior year budget authority, net	$ 39,074	$ 50,034	$ 6,103	$ -	$ -	$ -	$ 798,097	$(9,267,724)	$ 348,245	$ 2,841	$ (8,023,330)
Appropriations (discretionary and mandatory)	65,000	-	249,950	3,200,000	1,900,000	7,172,000	-	9,189,627	1,562,174	-	23,338,751
Spending authority from offsetting collections (discretionary and mandatory)	374,988	134,495	-	-	-	-	-	-	-	4	509,487
Total budgetary resources	$ 479,062	$ 184,529	$ 256,053	$ 3,200,000	$ 1,900,000	$ 7,172,000	$ 798,097	$ (78,097)	$ 1,910,419	$ 2,845	$ 15,824,908
Adjustment to unobligated balance brought forward, October 1											
Status of Budgetary Resources:											
New obligations and upward adjustments (total)	$ 356,311	$ 155,741	$ 89,894	$ 907,557	$ 6,818	$ 1,311,091	$ 143,307	$ 8,792,251	$ 1,446,854	$ -	$ 13,209,824
Unobligated balance, end of year:											
Apportioned, unexpired accounts	122,509	28,788	166,159	2,292,443	1,893,182	5,860,909	654,790	-	463,565	2,816	11,485,161
Exempt from apportionment, unexpired accounts	-	-	-	-	-	-	-	(8,870,348)	-	-	(8,870,348)
Unapportioned, unexpired accounts	5	-	-	-	-	-	-	-	-	29	34
Unexpired unobligated balance, end of year	122,514	28,788	166,159	2,292,443	1,893,182	5,860,909	654,790	(8,870,348)	463,565	2,845	2,614,847
Expired unobligated balance, end of year	237	-	-	-	-	-	-	-	-	-	237
Unobligated balance, end of year (total)	122,751	28,788	166,159	2,292,443	1,893,182	5,860,909	654,790	(8,870,348)	463,565	2,845	2,615,084
Total status of budgetary resources	$ 479,062	$ 184,529	$ 256,053	$ 3,200,000	$ 1,900,000	$ 7,172,000	$ 798,097	$ (78,097)	$ 1,910,419	$ 2,845	$ 15,824,908
Outlays, Net:											
Outlays, net (discretionary and mandatory)	$ (26,465)	$ 797	$ 149,057	$ 572,662	$ 2,370	$ 4,212	$ 308,951	$ 8,696,537	$ 1,444,397	$ (4)	$ 11,152,514
Distributed offsetting receipts (-)	(34,679)	-	-	-	-	-	-	-	-	-	(34,679)
Agency outlays, net (discretionary and mandatory)	$ (61,144)	$ 797	$ 149,057	$ 572,662	$ 2,370	$ 4,212	$ 308,951	$ 8,696,537	$ 1,444,397	$ (4)	$ 11,117,835

Required Supplementary Information (continued)

B. Land

As of September 30, 2022, the FCC owns fourteen real property sites totaling 2,104 acres of operational land. Operational land is land used for general or administrative purposes. The land is primarily used in support of the FCC's Public Safety and Homeland Security mission of developing and implementing policies and programs to strengthen public safety communications and interoperability, homeland security, national security, emergency management and preparedness, disaster management, and network reliability and resiliency. Specifically, the land is used for public safety and homeland security monitoring activities. In addition to the monitoring activities, two of the sites have field offices and/or a lab. Presently, none of the acreage is available for disposal or exchange.

Estimated Acreage by Predominant Use

	Operational
Beginning Acreage	2,104
Additions/(Subtractions)	-
Ending Acreage	2,104