Office of

FCC Inspector General

Federal Communications Commission

Fiscal Year 2021 Consolidated Financial Statements Audit

REPORT NUMBER

21-AUD-06-01

NOVEMBER 15, 2021

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UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: November 15, 2021

TO: Chairwoman

FROM: Inspector General for RM

SUBJECT: Audit of the Federal Communications Commission's Financial Statements for Fiscal Year 2021 (Report No. 21-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 Federal Communications Commission's (FCC) fiscal year (FY) 2021 financial statements.

Kearney's reports include an opinion 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. generally 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 two significant deficiencies in internal control over financial reporting:

- The first deficiency was related to information technology (IT) controls at FCC and Universal Service Fund (USF), which was a repeat issue from the fiscal year 2020 and prior year audit reports; and

- The second deficiency resulted from a material erroneous financial transaction for civil money penalty (CMP) receivables and custodial revenues that was not detected by the FCC's internal controls.

The internal control report summarizes the IT deficiencies noted during the Federal Information Security Management Act (FISMA) evaluation and IT testing in support of the financial statement audit and CMP financial reporting control deficiency. Kearney deemed the aggregate of the IT deficiencies to be a significant deficiency in financial reporting. Kearney made 13 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. In addition, Kearney made 3 new recommendations to strengthen the processes and controls over CMP receivables and custodial revenues.

Kearney is responsible for the attached auditor's report, dated November 15, 2021, and conclusions expressed therein. In connection with our contract, we reviewed Kearney's reports and related documentation and inquired of its representatives. Our review did not disclose any 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, and 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 the Inspector General of the Federal Communications Commission:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Federal Communications Commission (FCC, which comprise the consolidated balance sheets as of September 30, 2021 and 2020, the related consolidated statements of net cost and changes in net position, the consolidated statement of 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. 21-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 21-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the FCC as of September 30, 2021 and 2020 and its net cost of operations, changes in net position, custodial activities and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Budgetary Resources by Major Account (hereinafter referred to as the "required supplementary information") be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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 financial statements, and other knowledge we obtained during our audits of the 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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. Other Information, as named in the Agency Financial Report, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit(s) of the financial statements; accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* and OMB Bulletin No. 21-04, we have also issued reports, dated November 15, 2021, 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

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September 30, 2021. 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 Auditing Standards* and OMB Bulletin No. 21-04 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
November 15, 2021

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Chairwoman, Managing Director, and the 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; Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*; the financial statements of the Federal Communications Commission (FCC), as of and for the year ended September 30, 2021; 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, 2021.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. 21-04. 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, and, 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 significant deficiencies.

The FCC's Responses to Findings

The FCC's response and concurrence to the findings identified in our audit is included in the memorandum from management, entitled *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 2021*, included in the FCC's Agency Financial Report (AFR). The FCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, 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, 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. 21-04 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2021

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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 Contingency Planning. 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. We performed risk-based procedures related to segregation of duties within Genesis. 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). The fiscal year (FY) 2021 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 2021 FCC FISMA evaluation identified deficiencies in multiple IT control areas that impacted the FCC's general IT support system, including Identity and Access Management and Information Security Continuous Monitoring (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. The FCC's general IT support system serves as the gateway for users to access Genesis. Therefore, IT deficiencies noted in the general IT support system, as described above, may impact Genesis as well

- **USAC Systems Utilized in Administering the USF Programs** – Similar to the FCC, USAC's general IT support system is the gateway for users to access USAC's FOS. USAC failed to properly manage user accounts with access to both the general IT support system and FOS/Great Plains. Further, USAC did not 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's and USAC's ongoing efforts to implement planned corrective actions, remediate longstanding IT deficiencies in its IT general support system, modernize legacy technologies, and fully implement all documented information security policies, procedures, and processes continue to require prioritization. Specific causal information for each issue identified during the FY 2021 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 2021 FISMA evaluation report included 13 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. Six of the recommendations related to the FCC and seven of the recommendations related to USAC. Of the six FCC recommendations, five related to FISCAM control areas. All seven of the USAC recommendations related to FISCAM control areas.

II. Inaccurate Recognition of FCC Non-Exchange Revenue *(New Condition)*

Background: The FCC is responsible for regulating interstate and foreign communication. When the FCC's Bureaus become aware of failures to comply with the terms and conditions of any license, permit, certificate, or authorization and/or violations of FCC rules, they report the matter to the Enforcement Bureau (EB) to investigate. The EB informs the respondent of the issue and the potential Civil Monetary Penalty (CMP) through a Notice of Apparent Liability (NAL).

If the respondent does not provide an acceptable response to the NAL, the FCC can issue a Forfeiture Order. The FCC recognizes and records an account receivable (AR) and a custodial revenue for CMPs (e.g., a Forfeiture Order, a Consent Decree [CD], or a payment plan). The respondent is expected to pay a CMP in accordance with the specific payment terms defined in the CD, court order, or payment plan.

Based on historical information, the FCC estimates the uncollectible portion of Forfeiture Order CMP AR balances. The estimate is recorded as a contra asset account and a contra custodial revenue account – allowance for doubtful accounts (ADA) in the general ledger (GL). For certain Forfeiture Order CMPs, the FCC expects 100% of the AR balances to be uncollectable. In this instance, the ADA provision will be recorded at 100% of the AR balances.

The FCC's current process to confirm the reasonableness of the allowance for doubtful accounts is to analyze all open AR equal to or greater than $1 million. All outstanding Forfeiture Orders equal to or greater than $3 million are further reviewed and evaluated for collectability by the EB on a monthly basis. For CMPs exceeding or equal to $100,000, the Revenue Receivables Operations Group (RROG) Chief is required to review and certify them.

As part of our year-end audit procedures, Kearney validates the information reported in the FCC's draft Agency Financial Report (AFR). Our review of Management's Discussion and Analysis resulted in the identification of an accounting error in financial reporting.

Condition: The FCC incorrectly recorded an accounting transaction related to CMPs. Specifically, for one Forfeiture Order, the FCC recorded $225,000 to the GL when the fine was $225 million. In addition, because of this accounting error, the FCC did not properly assess a corresponding provision for ADA on the incorrectly recorded CMP receivable balance.

Cause: While the FCC has developed a process for tracking and updating CMPs, including supervisory-level reviews, the process was not always effective, as the reviewer did not properly detect a material erroneous transaction. Additionally, the erroneous recording of the CMP receivable stemmed from ineffective implementation of the EB's monitoring review as a control activity. As part of the FCC's internal control, the EB is required to review the reasonableness of the allowances for all forfeitures over $3 million. As the $225 million Forfeiture Order was above the threshold limit, at month-end, the Office of General Counsel (OGC) and the EB should have expected the amount to show up in the RROG monthly CMP receivable report as part of its monitoring control and should have alerted the RROG when the $225 million was not in the report.

Effect: The FCC improperly recorded AR, custodial revenue, and ADA transactions in FY 2021, resulting in a misstatement in the FY 2021 financial statement footnotes. Specifically, the FCC understated the "Gross Accounts Receivable" line by $224,775,000 and understated the "Allowance for Doubtful Accounts" line by $224,831,250 on the AR footnote, Note 4. Since the transaction is a fully reserved custodial revenue, the ADA is recorded to a contra revenue account and the net effect does not impact the Statement of Net Cost.

Further, without improved monitoring controls, errors may occur and remain undetected.

Recommendation: Kearney recommends that the FCC strengthen processes and internal controls surrounding the reporting of CMP receivables and custodial revenues.

Specifically, Kearney recommends that the FCC perform the following:

1. Strengthen monitoring controls over custodial revenue transactions resulting from CMPs by implementing an additional level of review over all CMP transactions to ensure they are recorded accurately. *[New]*
2. Strengthen OGC's and the EB's role in determining the completeness of the RROG's CMP receivable schedule by ensuring OGC and the EB review the list to ensure all open CMP receivables over the appropriate thresholds are included. *[New]*
3. Enforce its policy to effectively agree source documentation to the Genesis CMP detail. *[New]*

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) 2020 financial statements,[1] Kearney & Company, P.C. (Kearney) noted one reportable finding. The status of the FY 2020 internal control findings and recommendations are summarized in ***Exhibit 1*** and ***Exhibit 2***.

Exhibit 1: Status of Prior-Year Findings

Control Deficiency	FY 2020 Status	FY 2021 Status
Information Technology (IT)	Significant Deficiency	Significant Deficiency

During the FY 2020 financial statement audit, Kearney made specific recommendations to the FCC related to the control deficiency, as noted above, to strengthen the FCC's internal control environment over financial reporting. The status of the FY 2020 internal control recommendations is summarized in ***Exhibit 2***.

Exhibit 2: Status of Prior-Year Recommendations

Related Control Deficiency	Recommendation Description	FY 2021 Status
IT[2]	Kearney issued 17 IT-related recommendations in FY 2020	10 Open 7 Closed

[1] The *Independent Auditor's Report on Internal Control Over Financial Reporting* was published in the FCC's FY 2020 AFR.

[2] Kearney issued 17 recommendations in the FY 2020 FISMA evaluation report. During FY 2021, the FCC took appropriate action to close 7 recommendations, and we either updated or re-issued the 10 recommendations that remain open. The FY 2021 FISMA evaluation report includes additional, detailed information on each of the 17 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 the 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; Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*; the financial statements of the Federal Communications Commission (FCC), as of and for the year ended September 30, 2021; 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, 2021.

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 applicable laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. 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 and, 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. 21-04. Although our audit procedures did not identify any instances of known noncompliance in fiscal year (FY) 2021, FCC management communicated potential instances of noncompliance with the Antideficiency Act (ADA) based on events that occurred in FYs 2011 and 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 FCC as of September 30, 2021.

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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, not to provide an opinion on the effectiveness of the FCC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 21-04 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 15, 2021

Commission's Response to Independent Auditor's Reports

UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSON

Office of the Managing Director

DATE: November 15.2021

TO: David L. Hunt. Inspector General

FROM: Mark Stephens. Managing Director
Jae Seong. Chief Financial Officer
Shaun Costello. Acting 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 2021

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 sixteenth straight year, the independent auditor provided an unmodified ("clean") opinion and found that the Commission's consolidated financial statements for Fiscal Year (FY) 2021 present fairly, in all material respects, the financial position of the Commission as of September 30, 2021. 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 2021 audit report identified one significant deficiency related to information technology controls and another related to internal control related to an isolated instance of recording a forfeiture order incorrectly that had no effect on the Commission's consolidated financial statements other than to one of the notes to the consolidated financial statements. We concur with the recommendations made by the independent auditors in their reports.

We look forward to working in FY 2022 to resolve the FY 2021 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: 2021.11.15 06:29:17 -05'00'	Jae Seong — Digitally signed by Jae Seong Date: 2021.11.15 05:20:30 -05'00'	Shaun H. Costello — Digitally signed by Shaun H. Costello Date: 2021.11.15 06:21:46 -05'00'
Mark Stephens Managing Director Office of Managing Director	Jae Seong Chief Financial Officer Office of Managing Director	Shaun Costello Acting Chief Information Officer Office of Managing Director

Principal Statements

Federal Communications Commission

Consolidated Balance Sheets

As of September 30, 2021 and September 30, 2020
(Dollars in thousands)

	FY 2021	FY 2020
Assets (Note 2):		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$ 105,212,774	$ 18,787,296
Accounts receivable, net (Note 4)	361	439
Advances and prepayments	1,639	2,863
Total intragovernmental	105,214,774	18,790,598
With the Public:		
Accounts receivable, net (Note 4)	823,087	788,501
General property, plant and equipment, net (Note 5)	84,202	79,878
Advances and prepayments	18,024	18,024
Total with the public	925,313	886,403
Total assets	$ 106,140,087	$ 19,677,001
Liabilities (Note 6):		
Intragovernmental:		
Accounts payable	$ 1,402	$ 10,525
Other liabilities (Note 7)		
Liability to the General Fund of the U.S. Government for custodial and other non-entity assets	84,234,840	7,738,740
Other liabilities	3,868	3,553
Total other	84,238,708	7,742,293
Total intragovernmental	84,240,110	7,752,818
With the Public:		
Accounts payable	828,732	827,857
Federal employee benefits payable	26,503	26,419
Advances from others and deferred revenue	153,756	2,997,879
Other liabilities (Note 7)		
Prepaid contributions	44,563	108,399
Accrued liabilities for USF and TRS	490,897	483,329
Deposit/Unapplied liability	606,917	-
Other	23,362	27,979
Total other liabilities	1,165,739	619,707
Total with the public	2,174,730	4,471,862
Total liabilities	$ 86,414,840	$ 12,224,680
Net position:		
Unexpended Appropriations-Funds from Dedicated Collections (Note 9)	$ 819,020	$ 857,848
Unexpended Appropriations-Funds from other than Dedicated Collections	11,728,689	150,738
Total Unexpended Appropriations (Consolidated)	12,547,709	1,008,586
Cumulative Results of Operations-Funds from Dedicated Collections (Note 9)	6,948,472	6,251,781
Cumulative Results of Operations-Funds from other than Dedicated Collections	229,066	191,954
Total Cumulative Results of Operations (Consolidated)	7,177,538	6,443,735
Total net position	19,725,247	7,452,321
Total liabilities and net position	$ 106,140,087	$ 19,677,001

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Consolidated Statements of Net Cost
For the Years Ended September 30, 2021 and September 30, 2020
(Dollars in thousands)

	FY 2021	FY 2020
Gross Program costs:		
Closing the Digital Divide		
Total Program Cost	$ 10,162,259	$ 9,183,823
Promoting Innovation		
Total Program Cost	1,322,277	1,456,872
Protecting Consumers and Public Safety		
Total Program Cost	69,006	71,516
Reforming the FCC's Processes		
Total Program Cost	125,676	161,254
Less: earned revenues not attributed to programs	(536,365)	(506,433)
Net cost of operations	$ 11,142,853	$ 10,367,032

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Consolidated Statements of Changes in Net Position

For the Years Ended September 30, 2021 and September 30, 2020
(Dollars in thousands)

	FY 2021			FY 2020		
	Funds from Dedicated Collections (Note 9)	**Funds from Other than Dedicated Collections**	**Consolidated Total**	**Funds from Dedicated Collections** (Note 9)	**Funds from Other than Dedicated Collections**	**Consolidated Total**
Unexpended Appropriations:						
Beginning Balance, as adjusted	$ 857,848	$ 150,738	$ 1,008,586	$ 982,952	$ 2,816	$ 985,768
Appropriations received	-	12,586,950	12,586,950	-	200,000	200,000
Appropriations used	(38,828)	(1,008,999)	(1,047,827)	(125,104)	(52,078)	(177,182)
Net change in Unexpended Appropriations	(38,828)	11,577,951	11,539,123	(125,104)	147,922	22,818
Total Unexpended Appropriations	$ 819,020	$ 11,728,689	$ 12,547,709	$ 857,848	$ 150,738	$ 1,008,586
Cumulative Results of Operations:						
Beginning Balance, as adjusted	$ 6,251,781	$ 191,954	$ 6,443,735	$ 7,158,613	$ 222,898	$ 7,381,511
Appropriations used	38,828	1,008,999	1,047,827	125,104	52,078	177,182
Non-exchange revenue	10,849,923	50	10,849,973	9,271,661	3,320	9,274,981
Imputed financing	-	13,240	13,240	-	11,670	11,670
Other	-	(34,384)	(34,384)	-	(34,577)	(34,577)
Net Cost of Operations	10,192,060	950,793	11,142,853	10,303,597	63,435	10,367,032
Net Change in Cumulative Results of Operations	696,691	37,112	733,803	(906,832)	(30,944)	(937,776)
Cumulative Results of Operations: Ending	6,948,472	229,066	7,177,538	6,251,781	191,954	6,443,735
Net Position	$ 7,767,492	$ 11,957,755	$ 19,725,247	$ 7,109,629	$ 342,692	$ 7,452,321

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2021 and September 30, 2020
(Dollars in thousands)

	FY 2021	FY 2020
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	$ (8,023,330)	$ (9,387,542)
Appropriations (discretionary and mandatory)	23,338,751	9,648,793
Spending authority from offsetting collections (discretionary and mandatory)	509,487	472,421
Total budgetary resources	$ 15,824,908	$ 733,672
Status of Budgetary Resources		
New obligations and upward adjustments (total)	$ 13,209,824	$ 9,316,143
Unobligated balance, end of year		
Apportioned, unexpired accounts	11,485,161	1,114,240
Exempt from apportionment, unexpired accounts	(8,870,348)	(9,715,020)
Unapportioned, unexpired account	34	18,105
Unexpired unobligated balance, end of year	2,614,847	(8,582,675)
Expired unobligated balance, end of year	237	204
Unobligated balance, end of year (total)	2,615,084	(8,582,471)
Total budgetary resources	$ 15,824,908	$ 733,672
Outlays, Net		
Outlays, net (total) (discretionary and mandatory)	$ 11,152,514	$ 10,271,908
Distributed offsetting receipts (-)	(34,679)	(29,769)
Agency outlays, net (discretionary and mandatory)	$ 11,117,835	$ 10,242,139

The accompanying notes are an integral part of these statements.

Federal Communications Commission
Consolidated Statements of Custodial Activity

For the Years Ended September 30, 2021 and September 30, 2020
(Dollars in thousands)

	FY 2021	FY 2020
Total Custodial Revenue:		
Sources of Cash Collections:		
Spectrum Auctions	$ 85,564,050	$ 10,291,811
Fines and Penalties	207,301	63,343
Total Cash Collections	85,771,351	10,355,154
Accrual Adjustments (+/-)		
Fines and Penalties	8,718	4,504
Total Accrual Adjustments	8,718	4,504
Total Custodial Revenue (Note 15)	85,780,069	10,359,658
Disposition of Collections:		
Transferred to Others (by Recipient):		
U.S. Treasury	(207,301)	(2,786,204)
Spectrum Relocation Fund (OMB)	(4,466,079)	-
Public Safety Trust Fund (NTIA)	(4,476,093)	-
(Increase)/Decrease in Amounts Yet to be Transferred (+/-)	(76,496,101)	(4,356,742)
Increase/(Decrease) in Refunds Payable and Other Custodial Liabilities (+/-)		
Auctions Salaries & Expenses (FCC) (Note 12)	(134,495)	(132,539)
Reverse Incentive Auction Winners	-	(3,084,173)
Total Disposition of Collections	(85,780,069)	(10,359,658)
Net Custodial Activity	$ -	$ -

The accompanying notes are an integral part of these statements.

Notes to the Principal Financial Statements

For the Years Ended September 30, 2021 and September 30, 2020
(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, 2021, P.L. 116–260, amended Section 302 of the Universal Service Antideficiency Temporary Suspension Act, Title III of P.L. 108-494, extending the universal service programs exemption from the application of the provisions of the Antideficiency Act until December 31, 2021. 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 Antideficiency Act and must be apportioned by OMB before funds are available for use. Information regarding disclosure entities is separately disclosed in Note 17.

B. Basis of Accounting and Presentation

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 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. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

D. Fund Balance with Treasury

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.

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.

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

F. General Property, Plant and Equipment (continued)

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) 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 the following USF and TRS 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 Schools & Libraries (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 program, the expenses related to the 2019 Novel Coronavirus (COVID-19) Telehealth Program and the Emergency Connectivity Fund (ECF) are non-exchange expenses. The Commission does not accrue payments under the COVID-19 Telehealth Program or ECF until submitted eligible expenses are approved for payment. The Emergency Broadband Connectivity Fund's Emergency Broadband Benefit Program (EBCF-EBBP) expenses are also non-exchange and is similar to the Lifeline program. The Commission accrues 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 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.

Note 1 – Summary of Significant Accounting Policies (continued)

I. Advances From Others and Deferred Revenue

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.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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: Closing the Digital Divide; Promoting Innovation; Protecting Consumers and Public Safety; and Reforming the FCC's Processes. 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 $374,000 for FY 2021 and $339,000 for FY 2020. The Commission also collected $3,780 above the required regulatory level in FY 2021 and $6,310 above the required level in FY 2020. As of September 30, 2021, the Commission transferred excess regulatory fee collections totaling $145,049 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 $134,495 for FY 2021 and $132,539 for FY 2020.

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 $85,564,050 of custodial revenue (net of accrual adjustments) related to spectrum auctions in FY 2021 and $10,291,811 in FY 2020. 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 which is administered by the OMB. In FY 2020, the Commission transferred $2,725,238 to the Treasury General Fund.

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. Subparagraph b of section 158 requires the Commission to review and amend its schedule of application fees every two years based on the net change in the Consumer Price Index (CPI) calculated over a specific period of time. Application fees are deposited in

Note 1 – Summary of Significant Accounting Policies (continued)

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

the Treasury and are not available for the Commission's use. Application fee revenue totaled $28,553 in FY 2021 and $24,947 in FY 2020. The most recent Report and Order increasing application fees to reflect changes in the CPI was adopted by the Commission on December 23, 2020 and released on December 29, 2020 to implement the RAY BAUM'S Act of 2018. In this 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, 2020, 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 $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 $831 in FY 2021 and $1,294 in FY 2020.

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 2021 were $9,292,814 by USF and $1,557,109 by TRS. Non-exchanged revenues earned in FY 2020 were $7,815,880 by USF and $1,455,781 by TRS. For more information, refer to Note 9 and Note 20.

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 $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), and $339,000 for FY 2020. In FY 2021, Consolidated Appropriations Act, 2021, Division N - Additional Coronavirus Response and Relief, 2021 P.L. 116-260, (Division N) appropriated an additional $249,950 to the 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. In FY 2020, the COVID-19 Telehealth Program (Round 1) was funded through a $200,000 appropriation as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. In FY 2021, The Consolidated Appropriations Act, 2021, Division N, 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

Note 1 – Summary of Significant Accounting Policies (continued)

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

fixed broadband Internet access service can be installed. Regulatory fee collections fully funded the non-Division N no-year appropriations for FY 2021 and FY 2020.

In FY 2021, the EBCF-EBBP, ECF and the Secure and Trusted Communications Networks Reimbursement Program (S&T Networks) were established and funded by Congressional appropriations. For more information on the EBCF-EBBP and ECF see Note 18, and Note 1 P for the S&T Networks.

Subsidy Estimates and Re-estimates (Financing Source) – The Fair Credit Reporting Act (FCRA) of 1990, as amended, governs the reporting requirements for direct loan obligations made after FY 1991. As required, the Commission coordinates with OMB in developing estimation guidelines, regulations, and the criteria used in calculating the subsidy estimates and re-estimates. The most recent subsidy re-estimate was completed on September 30, 2015. Since there are no active loans, OMB has waived the requirement to perform subsidy re-estimate in FY 2021 and FY 2020.

M. Reprogramming

For the year ended September 30, 2021, the Commission did not receive all approvals for reprogramming of prior year de-obligated funds. In FY 2020, the Commission did not request any 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. 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. 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

Note 1 – Summary of Significant Accounting Policies (continued)

O. Broadcast Incentive Auction (continued)

modify their facilities, and by FM stations to reasonably minimize disruption of their services due to the TV repacking process.

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, 2020, that reimbursement of full power and Class A stations and MVPDs would be prioritized over reimbursement of LPTV/TV Translator and FM stations. As of September 30, 2021, the Commission made a total allocation of $2,074,204 for eligible full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations of which $2,073,205 has been obligated and $1,719,831 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, 2021, an accrued accounts payable of $87,086 was recorded for the full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations.

P. Secure & Trusted Communications Networks Reimbursement Program (S&T Networks)

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 Secure and Trusted Communications Networks Reimbursement Program (S&T Networks) 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 implemented the Secure Networks Act by establishing rules for the S&T Networks. The S&T Networks will provide funding allocations to eligible providers based on their estimated costs. S&T Networks recipients can then obtain funding disbursements from their allocation upon showing of actual expenses incurred. S&T Networks recipients will have one year from the initial disbursement to complete the permanent removal, replacement, and disposal of covered communications equipment or services with the potential for a general and individual extensions of time. Recipients of S&T Networks 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), appropriated $1,900,000 to "carry out" the S&T Networks. 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 and added a method for prioritizing funding that differs from the approach adopted by the Commission in the *Second Report and Order*. The

Note 1 – Summary of Significant Accounting Policies (continued)

P. Secure & Trusted Communications Networks Reimbursement Program (S&T Networks) (continued)

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 S&T Networks. Most notably, the Commission stated that the S&T Networks is limited to reimbursing the costs of removal, replacement, and disposal to communications equipment and service produced or provided by Huawei Technologies Company and ZTE Corporation that was obtain on or before June 30, 2020.

On April 28, 2021, the Commission's Wireline Competition Bureau (WCB) announced the selection of the S&T Networks Fund Administrator to assist with processing applications and administering the S&T Networks. 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 S&T Networks. WCB also finalized the information fields on the new FCC Form 5640, which participants must submit to request funding allocations and disbursements from the S&T Networks Program, as well as the procedures governing the submission of and any modifications made to that form. On October 29, 2021, the FCC opened the S&T Networks filing window to begin accepting applications. As of September 30, 2021, $6,818 was obligated and $2,811 had been expended. Unobligated balances of $1,893,182 was carried forward.

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, 2021, 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, 2021, 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, 2021, FCC has directed USAC to obligate a total amount of $65,487, with remaining balance of $104,913 to be obligated.

Consistent with the Commission's direction in the Rural Digital Opportunity Fund Order, in July 2020 the FCC released a Public Notice establishing the process by which eligible price cap carriers could elect to receive an additional year of CAF II model-based support. The FCC committed to award a potential total of $1,497,972 from January 2021 through December 2021. As of September 30, 2021, the FCC has directed USAC to obligate a total of $1,497,972 for carriers who have successfully submitted election letters and complied with the requirement to continue providing broadband services to 3,656 locations in 45 states.

R. Rural Digital Opportunity Fund (RDOF)

Pursuant to a public notice, DA 201-1422, released by the Rural Broadband Auctions Task Force (RBATF), WCB, and the Office of Economics and Analytics (OEA) on December 7, 2020, there are 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 5,221 locations in 49 states and one territory. The first wave of obligations totaling $136,374 were authorized on September 15, 2021 pursuant to public notice, DA 21-1158.

Note 1 – Summary of Significant Accounting Policies (continued)

S. Comparison and Other

Certain FY 2020 amounts have been reclassified to conform to the FY 2021 presentation. Specifically, the format of the Balance Sheet and the Statement of Changes in Net Position (SCNP). The Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the *Financial Report of the United States Government*. The SCNP has changed certain lines items and subtotals have been eliminated. The change does not affect totals for unexpended appropriations, cumulative results of operations or net position. The presentation of the fiscal year 2020 Balance Sheet and SCNP were modified to be consistent with the fiscal year 2021 presentation.

Note 2 – Non-entity Assets

The following summarizes Non-entity Assets as of September 30, 2021 and September 30, 2020:

	FY 2021	FY 2020
Intragovernmental:		
Fund Balance with Treasury	$ 84,938,731	$ 10,695,711
Accounts Receivable, Net	351	352
Total Intragovernmental	84,939,082	10,696,063
Accounts Receivable, Net	23,283	21,396
Total Non-entity Assets	84,962,365	10,717,459
Total Entity Assets	21,177,722	8,959,542
Total Assets	$ 106,140,087	$ 19,677,001

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, 2021 and September 30, 2020:

	FY 2021	FY 2020
Status of Fund Balance with Treasury		
Unobligated Balance		
Available	$ 2,614,812	$ (8,600,781)
Unavailable	17,367	35,405
Obligated Balance not yet Disbursed	17,641,864	16,656,961
Non-Budgetary FBWT	84,938,731	10,695,711
Total	$ 105,212,774	$ 18,787,296

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, EBCF-EBBP, S&T Networks, 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 Antideficiency Act by Congress through December 31, 2021 and are not subject to an apportionment by OMB. In FY 2020, the TRS funds were moved to a newly established account within the Treasury.

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, 2021 and September 30, 2020:

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

FY 2020	Intragovernmental	Public	Total
Gross Accounts Receivable	$ 439	$ 1,643,561	$ 1,644,000
Allowance for Doubtful Accounts	-	(855,060)	(855,060)
Accounts Receivable, Net	$ 439	$ 788,501	$ 788,940

The following summarizes accounts receivable by type as of September 30, 2021 and September 30, 2020:

	FY 2021			FY 2020		
	Accounts Receivable	Allowance	Net	Accounts Receivable	Allowance	Net
USF	$ 1,088,153	$ (342,570)	$ 745,583	$ 1,023,679	$ (314,298)	$ 709,381
COMAD - Schools and Libraries	179,079	(174,271)	4,808	193,569	(187,826)	5,743
TRS	118,377	(73,677)	44,700	122,068	(71,095)	50,973
Regulatory Fees	27,509	(21,230)	6,279	34,457	(21,350)	13,107
Spectrum Auction	8,680	(8,680)	-	8,680	(8,680)	-
Civil Monetary Penalties	580,919	(566,556)	14,363	250,023	(244,980)	5,043
Other	14,903	(7,188)	7,715	11,524	(6,831)	4,693
Total	$ 2,017,620	$ (1,194,172)	$ 823,448	$ 1,644,000	$ (855,060)	$ 788,940

The Commitment Adjustment (COMAD) for Schools and Libraries 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 COMAD receivables for Schools and Libraries recorded an allowance rate of 97% in FY 2021 and FY 2020.

The TRS accounts receivable includes $9,046 of gross receivables pertaining to criminal restitution for the TRS. The TRS estimated the net realizable value of criminal restitution receivable to be zero and recorded an allowance for the full amount of the receivable.

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 for Year Ended September 30, 2021 and September 30, 2020.

	FY 2021 Net PP&E	FY 2020 Net PP&E
Balance beginning of year	$ 79,878	$ 72,138
Capitalized acquisitions	24,031	28,894
Depreciation expense	(19,707)	(21,154)
Balance at end of year	$ 84,202	$ 79,878

Note 6 – Liabilities Not Covered by Budgetary Resources

The following summarizes Liabilities Not Covered by Budgetary Resources as of September 30, 2021 and September 30, 2020:

	FY 2021	FY 2020
Intragovernmental:		
FECA Liability	$ 435	$ 486
Unemployment Liability	2	-
Total Intragovernmental	437	486
Unfunded Leave	24,547	23,555
Actuarial FECA Liability	1,953	3,019
Other:		
Energy Savings Performance Contract	6,610	7,027
Accrued Liabilities for USF and TRS	490,897	483,329
Total liabilities not covered by budgetary resources	524,444	517,416
Total liabilities covered by budgetary resources	934,309	1,002,910
Total liabilities not requiring budgetary resources	84,956,087	10,704,354
Total Liabilities	$ 86,414,840	$ 12,224,680

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

Liabilities not requiring budgetary resources are liabilities that have not in the past required, and will not in the future require, the use of budgetary resources.

Note 7 – Other Liabilities

The following summarizes Other Liabilities as of September 30, 2021 and September 30, 2020:

FY 2021	Non-Current	Current	Total
Intragovernmental			
Liability to the General Fund and Other Non-Entity Assets	$ -	$ 84,234,840	$ 84,234,840
Other	-	3,868	3,868
Total Intragovernmental	-	84,238,708	84,238,708
With the Public			
Prepaid Contributions	-	44,563	44,563
Accrued Liabilities for USF and TRS	-	490,897	490,897
Deposit/ Unapplied Liability	-	606,917	606,917
Other	6,325	17,037	23,362
Total With the Public	6,325	1,159,414	1,165,739
Total Other Liabilities	$ 6,325	$ 85,398,122	$ 85,404,447

FY 2020	Non-Current	Current	Total
Intragovernmental			
Liability to the General Fund and Other Non-Entity Assets	$ -	$ 7,738,740	$ 7,738,740
Other	-	3,553	3,553
Total Intragovernmental	-	7,742,293	7,742,293
With the Public			
Prepaid Contributions	-	108,399	108,399
Accrued Liabilities for USF and TRS	-	483,329	483,329
Other	6,570	21,409	27,979
Total With the Public	6,570	613,137	619,707
Total Other Liabilities	$ 6,570	$ 8,355,430	$ 8,362,000

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 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 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, TRS fund administrator, and the 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, 2021, 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 the related disbursements as program expenses on the Statement of Net Cost.

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 FY 2021 and FY 2020.

The following pages summarize the significant assets, liabilities, and costs incurred related to the TVBRF, USF and TRS as of September 30, 2021 and September 30, 2020. 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.

Note 9 – Funds from Dedicated Collections (continued)

FY 2021	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Combined/ 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 balances	$ 819,020	$ -	$ -	$ 819,020
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)

FY 2020	TVBRF	USF	TRS	Total Funds from Dedicated Collections (Combined/ Consolidated)
Balance Sheet as of September 30, 2020				
Intragovernmental				
Fund Balance with Treasury	$ 1,407,813	$ 5,911,691	$ 377,572	$ 7,697,076
Total intragovernmental assets	1,407,813	5,911,691	377,572	7,697,076
Other than intragovernmental				
Accounts receivable, net	572	715,124	51,020	766,716
General property, plant, and equipment, net	-	16,441	-	16,441
Advances and prepayments	-	18,024	-	18,024
Total other than intragovernmental	572	749,589	51,020	801,181
Total assets	$ 1,408,385	$ 6,661,280	$ 428,592	$ 8,498,257
Other than intragovernmental				
Accounts payable	$ 420,132	$ 361,758	$ 6,111	$ 788,001
Deferred revenue	-	-	8,899	8,899
Prepaid contributions	-	105,435	2,964	108,399
Accrued liabilities	-	251,982	231,347	483,329
Total liabilities	$ 420,132	$ 719,175	$ 249,321	$ 1,388,628
Unexpended appropriations	$ 857,848	$ -	$ -	$ 857,848
Cumulative results of operations	130,405	5,942,105	179,271	6,251,781
Total liabilities and net position	$ 1,408,385	$ 6,661,280	$ 428,592	$ 8,498,257
Statement of Net Cost for the Year Ended September 30, 2020				
Net cost of operations	$ 641,434	$ 8,231,849	$ 1,430,314	$ 10,303,597
Statement of Changes in Net Position for the Year Ended September 30, 2020				
Unexpended Appropriations:				
Beginning balances	$ 857,848	$ -	$ -	$ 857,848
Total unexpended appropriations	857,848	-	-	857,848
Cumulative results of operations:				
Beginning balances	646,735	6,358,074	153,804	7,158,613
Appropriations used	125,104	-	-	125,104
Other than intragovernmental non-exchange revenue	-	7,815,880	1,455,781	9,271,661
Net cost of operations	641,434	8,231,849	1,430,314	10,303,597
Net Change in Cumulative Results of Operations	(516,330)	(415,969)	25,467	(906,832)
Cumulative Results of Operations: Ending	130,405	5,942,105	179,271	6,251,781
Net Position, end of period	$ 988,253	$ 5,942,105	$ 179,271	$ 7,109,629

Note 9 – Funds from Dedicated Collections (continued)

The FY 2021 and FY 2020 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 2021					
Assets with the public					
Accounts Receivable, Net	$ 798,448	$ 24,672	$ 823,120	$ (33)	$ 823,087
Liabilities with the public					
Other	$ -	$ 23,395	$ 23,395	$ (33)	$ 23,362

	Dedicated Collections Combined	All Other Amounts (with Eliminations)	Total Combined	Consolidating Eliminations Between Dedicated & All Other	Consolidated
FY 2020					
Assets with the public					
Accounts Receivable, Net	$ 766,716	$ 21,834	$ 788,550	$ (49)	$ 788,501
Liabilities with the public					
Other	$ -	$ 28,028	$ 28,028	$ (49)	$ 27,979

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 $16,812,274 as of September 30, 2021 and $15,823,352 as of September 30, 2020. The following summarizes Undelivered Orders as of September 30, 2021 and September 30, 2020:

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

FY 2020		Federal		Non-Federal		Total
Undelivered Orders-Unpaid	$	17,969	$	15,784,496	$	15,802,465
Undelivered Orders-Paid		2,863		18,024		20,887
Total	$	20,832	$	15,802,520	$	15,823,352

Note 12 – Permanent Indefinite Appropriations

The Commission has permanent indefinite appropriations available to fund its universal service 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 2021 Congress limited the amount of the auction proceeds that may be retained and made available for obligation to $134,495.

Note 13 – Legal Arrangements Affecting Use of Unobligated Balances

Offsetting collections received in excess of $374,000 in FY 2021 and $339,000 in FY 2020 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 2020 and the amounts presented in the FY 2022 Budget of the United States Government. The FY 2023 Budget of the United States Government, which will include actual numbers for FY 2021, has not been published at this time. Pursuant to 31 USC § 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 consists 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 custodial non-exchange collections for the year ended September 30, 2021 were $207,301 and $63,343 for the year ended September 30, 2020. There were no material refunds issued for the year ended September 30, 2021 and September 30, 2020.

Note 16 – Reconciliation of Net Cost to Net Outlays

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, 2021 and September 30, 2020.

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

FY 2021	Intragovernmental	With the Public	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 not affecting Budget Outlays:			
Accounts receivable, net	(78)	(18,565)	(18,643)
Other assets	(1,224)	-	(1,224)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	8,606	(875)	7,731
Federal employee and veteran benefits/benefits due 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 Budget 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 Budgetary 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 16 – Reconciliation of Net Costs to Net Outlays (continued)

FY 2020	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 122,024	$ 10,245,008	$ 10,367,032
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, plant, and equipment depreciation	-	(21,154)	(21,154)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	98	18,465	18,563
Investments	-	(675)	(675)
Other assets	1,622	5,000	6,622
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(9,712)	(130,520)	(140,232)
Salaries and benefits	(402)	(1,386)	(1,788)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)	62	2,361	2,423
Other financing sources:			
Federal employee retirement benefit costs paid by OPM & imputed to agency	(11,670)	-	(11,670)
Total Components of Net Operating Cost Not Part of the Budget Outlays	$ (20,002)	$ (127,909)	$ (147,911)
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	-	28,894	28,894
Other	-	(5,876)	(5,876)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	$ -	$ 23,018	$ 23,018
NET OUTLAYS (Calculated Total)	$ 102,022	$ 10,140,117	$ 10,242,139
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (total) (discretionary and mandatory)			10,271,908
Distributed offsetting receipts (-)			(29,769)
Agency outlays, net (discretionary and mandatory)			$ 10,242,139

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 and the CCPP. The four USF programs are High Cost, Lifeline, Rural Health Care, and School and Libraries. 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.

<u>Local Number Portability Administrator (LNPA) Program</u> – 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, 2021, 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, 2021 and September 30, 2020.

Note 17 – Disclosure Entities (continued)

FY 2021	USAC	NECA	Total
Balance Sheet			
Advances 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

FY 2020	USAC	NECA	Total
Balance Sheet			
Advance and prepayments (Note 1 G)	$ 18,024	$ -	$ 18,024
Accounts payable[1]	7,270	27	7,297
Statement of Net Cost			
Net cost of operations[2]	$ 187,458	$ 482	$ 187,940
Statement of Changes in Net Position			
Net cost of operations[2]	$ 187,458	$ 482	$ 187,940

Note 18 – COVID-19 Activity

COVID-19 Telehealth Program – 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 on April 13, 2020 and stopped accepting applications on June 25, 2020. The COVID-19 Telehealth Program (Round 1) is 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 a financial assistance 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 the COVID-19 Telehealth Program (Round 1). As of September 30, 2021, the amount obligated for Round 1, net of de-obligations, was $194,097 and had expended $185,666 of budgetary resources. The de-obligated fund balance of $5,903 was carried forward.

[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)

As of September 30, 2020, the amount obligated for Round 1 was $200,000 and had expended $52,078 of budgetary resources and no unobligated balances were carried forward.

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 will allow 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 directive, the Commission was required to seek comment on various ideas related to committing 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 February 2, 2021, the Commission adopted a Report and Order finding that it was in the public interest to use the USAC to administer the COVID-19 Telehealth Program going forward. 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 awardees, as well as a separate Public Notice to provide additional guidance on the invoicing process for Round 2. As of September 30, 2021, the Commission obligated $89,694 of the Round 2 funding and expended $1,125 of budgetary resources. Unobligated balances of $160,256 was carried forward. Also, see Note 1 H and L, and Note 3.

Emergency Broadband Connectivity Fund, Emergency Broadband Benefit Program (EBCF-EBBP) – The Consolidated Appropriations Act, 2021 created and appropriated $3,200,000 for the Emergency Broadband Connectivity Fund and directed the Commission to establish the Emergency Broadband Benefit Program, 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. In implementing the EBCF-EBBP, the Consolidated Appropriations Act permits the Commission to apply rules contained in part 54 of the Commission's rules, including those governing the Lifeline program, and further permits the Commission to avail itself of USAC's services to administer the EBCF-EBBP.

Consistent with the Consolidated Appropriations Act, the Commission adopted rules and policies in a Report and Order on February 25, 2021 to govern the EBCF-EBBP. The WCB, other Commission staff, and USAC have established processes and systems needed to administer the EBCF-EBBP, including approval and election processes for broadband providers to participate, consumer application and enrollment processes, and provider reimbursement. On March 4, 2021, the WCB announced the initial deadlines for approving the broadband provider participation and election process and will announce at a later date other administrative deadlines or milestones. On May 12, 2021, the EBCF-EBBP launched the National Verifier at GetEmergencyBroadband.org for enrolling consumers and submitting applications. As of September 30, 2021, the FCC obligated $907,557 of the EBCF-EBBP and expended $867,264 of budgetary resources. Unobligated balances of $2,292,443 was carried forward.

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 (American Rescue Plan Act) signed into law on March 11, 2021. Pursuant to congressional directive, on March 16, 2021, the WCB sought comment on the provision of support from the ECF consistent with section 7402 of the American Rescue Plan Act. Subsequently, on May 11, 2021, the Commission released a Report and

Note 18 – COVID-19 Activity (continued)

Order establishing rules and policies governing the ECF Program. The Report and Order designates 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.

Specifically, the ECF Program will enable eligible schools and libraries to seek funding for purchases during the upcoming school year (2021-2022) of laptops and tablet computers, Wi-Fi hotspots, other eligible equipment, and broadband connectivity for students, school staff, and library patrons who would otherwise lack access to connected devices and broadband service sufficient for remote learning. The initial ECF Program application filing window opened on June 29, 2021 and closed on August 13, 2021. During this application filing window, eligible schools and libraries could submit requests for funding to purchase eligible equipment and services between July 1, 2021 and June 30, 2022. As of September 30, 2021, the FCC obligated $1,311,091 and expended $4,212. Unobligated balances of $5,860,909 was carried forward.

The charts below summarize the cumulative amounts received and used under each program as of September 30, 2021 and September 30, 2020:

FY 2021	Appropriations Received	Obligations Incurred	Remaining Available for Obligation	Appropriations Used
COVID-19 Telehealth (Round 1)	$ 200,000	$ 194,097	$ 5,903	$ 185,666
COVID-19 Telehealth (Round 2)	249,950	89,694	160,256	1,125
EBCF-EBBP	3,200,000	907,557	2,292,443	867,264
ECF	7,172,000	1,311,091	5,860,909	4,212
Total	$ 10,821,950	$ 2,502,439	$ 8,319,511	$ 1,058,267

FY 2020	Appropriations Received	Obligations Incurred	Remaining Available for Obligation	Appropriations Used
COVID-19 Telehealth (Round 1)	$ 200,000	$ 200,000	$ -	$ 52,078
Total	$ 200,000	$ 200,000	$ -	$ 52,078

Note 19 – Subsequent Events

As of this report issuance, the President has signed the Infrastructure Investment and Jobs Act (H.R. 3684) available at https://www.congress.gov/bill/117th-congress/house-bill/3684/text. The Infrastructure Investment and Jobs (IIJ) Act directs the Commission to adopt final rules modifying and extending the EBCF-EBBP to a longer-term broadband affordability program to be called the Affordable Connectivity Program (ACP). The ACP, as described in the IIJ Act, features changes to the eligibility criteria, an adjusted subsidy rate, a new mechanism for providing an enhanced subsidy amount to households in high-cost areas, a transition period for existing EBBP households, and additional consumer protection provisions. The IIJ Act appropriates $14.2 billion to the Affordable Connectivity Fund for the support of the ACP.

Note 20 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the *Financial Report of the U.S. Government (Financial Report)*, 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 Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the Commission's financial statements and the Commission's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2020 *Financial Report* can be found here: Bureau of the Fiscal Service - Reports, Statements & Publications (treasury.gov) and a copy of the 2021 *Financial Report* will be posted to this site upon release. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ended September 30, 2021 and September 30, 2020

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
					Intragovernmental Costs
	-	-	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 Assumptions (Non-Federal)
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**

[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 $134,495 in FY 2021 and $132,539 for FY 2020. 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.

Note 20 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

AFR Line	2020 SONC	Dedicated Collections Combined	All Other Amounts (with Eliminations)	2020 Reclassified SONC Total	Reclassified Line
Gross Costs	$ 10,873,465	$ 10,303,597	$ 3,530,720	$ 13,834,317	Non-Federal Gross Cost
					Intragovernmental Costs
			45,195	45,195	Benefit Program Costs
			11,670	11,670	Imputed Costs
			52,771	52,771	Buy/Sell Costs
			9,515	9,515	Purchase of Assets
			13,686	13,686	Other Expenses (w/o Reciprocals)
			(9,515)	(9,515)	Purchase of Assets Offset
		-	***123,322***	***123,322***	***Total Intragovernmental Costs***
Total Gross Costs	***$ 10,873,465***	***$ 10,303,597***	***$ 3,654,042***	***$ 13,957,639***	***Total Reclassified Gross Costs***
Earned Revenue[3]	(506,433)		(372,598)	(372,598)	Non-Federal Earned Revenue
					Intragovernmental Revenue
			(1,295)	(1,295)	Buy/Sell Revenue
			(2)	(2)	Borrowing and Other Interest Revenue
		-	***(1,297)***	***(1,297)***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	***(506,433)***	*-*	***(373,895)***	***(373,895)***	***Total Reclassified Earned Revenue***
Net Cost of Operations	**$ 10,367,032**	**$ 10,303,597**	**$ 3,280,147**	**$ 13,583,744**	**Net Cost of Operations**
Exchange Statement of Custodial Activity					
Refunds and Other Payments Auctions Salaries & Expenses			**(132,539)**	(132,539)	Buy/Sell Revenue (Intradepartmental Eliminations for Auctions Salaries & Expenses)[3]
			(3,084,173)	(3,084,173)	Reverse Incentive Auction winning bidders[4]
Net Cost of Operations	**$ 10,367,032**	**$ 10,303,597**	**$ 63,435**	**$ 10,367,032**	**Net Cost of Operations**

[4] This is the valid difference due to Payments related to the FCC's custodial activities reported differently at the agency level than the Government-wide level. 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 20 – 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 Year Ended September 30, 2021 and September 30, 2020

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 Penalties	207,301	10,849,923	212,165	11,062,088	Other Taxes and Receipts
SCA: Sources of Cash Collections: Spectrum Auctions	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 Transferred (+/-)	(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**

Note 20 – Reclassification of Financial Statement Line Items for Financial Report Compilation Process (continued)

AFR Line	2020 SCNP	Dedicated Collections Combined	All Other Amounts (with Eliminations)	2020 Reclassified SCNP Total	Reclassified Line
UNEXPENDED APPRORPATIONS					
Unexpended Appropriations, Beginning Balance	$ 985,768	$ 8,141,565	$ 225,713	$ 8,367,279	Net Position, Beginning of Period
Appropriations Received, General Funds	200,000	-	200,000	200,000	Appropriations Received as Adjusted
Appropriations Used	(177,182)	(125,104)	(52,078)	(177,182)	Appropriations Used (Federal)
Total Unexpended Appropriations	**$ 1,008,586**	**$ 8,016,461**	**$ 373,635**	**$ 8,390,097**	
CUMULATIVE RESULTS OF OPERATIONS					
Cumulative Results, Beginning Balance	$ 7,381,511				
Appropriations Used	177,182	125,104	52,078	177,182	Appropriations Expended
Non-Exchange Revenue	9,274,981				Non-Federal Non-Exchange Revenue
SCA: Sources of Cash Collections: Fines and Penalties	63,343	9,271,661	66,152	9,337,813	Other Taxes and Receipts
SCA: Sources of Cash Collections: Spectrum Auctions	10,291,811		10,291,811	10,291,811	Miscellaneous Earned Revenues
SCA: Accrual Adjustments: Fines and Penalties	4,504	-	-	-	
		9,271,661	10,357,963	19,629,624	*Total Non-Federal Non-Exchange Revenues*
					Intragovernmental Non-Exchange Revenue
			688	688	Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange
SCA: Disposition of Collections: Transferred to Others: Public Safety Trust Fund (NTIA)			4,327	4,327	Collections Transferred to a TAS Other Than the General Fund of the U S Government Other Taxes and Receipts
		-	5,015	5,015	*Total Intragovernmental Non-Exchange Revenue*
Total Non-Exchange Revenues	19,634,639	9,271,661	10,362,978	19,634,639	*Total Reclassified Non-Exchange Revenue*
Other:					
Imputed Financing	11,670	-	11,670	11,670	Imputed Financing Sources (Federal)
Other	(34,577)				
SCA: Disposition of Collections: (Increase)/Decrease in Amounts Yet to be Transferred (+/-)	(4,356,742)	-	(4,356,742)	(4,356,742)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund
SCA: Disposition of Collections: Transferred to Others: U S Treasury	(2,786,204)		(2,820,781)	(2,820,781)	Non-Entity Custodial Collections Transferred to the General Fund
		-	(7,165,853)	(7,165,853)	*Total Intragovernmental Other*
Total Other	(7,165,853)	-	(7,165,853)	(7,165,853)	*Total Reclassified Other*
SCA: Reverse Incentive Auction winning bidders[5]	(3,084,173)				
SCA: Disposition of Collections: Refunds and Other Payments Auctions, Salaries & Expenses (FCC)[4]	(132,539)				
Total Financing Sources	9,429,256				
Net Cost of Operations	10,367,032	10,303,597	3,280,147	13,583,744	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	6,443,735				
Total Net Position	$ 7,452,321	$ 7,109,629	$ 342,691	$ 7,452,321	**Net Position - Ending Balance**

Required Supplementary Information

Required Supplementary Information – Schedule of Budgetary Resources by Major Account
For the Years Ended September 30, 2021 and September 30, 2020
(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, S&T Networks, 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 S&T Networks represents the S&T Networks 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.

Schedule of Budgetary Resources by Major Account

FY 2021	S&E	Auctions	COVID-19 Telehealth	EBCF (EBB Program)	S&T Networks	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 – Schedule of Budgetary Resources by Major Account (continued)

FY 2020	S&E	Auctions	COVID-19 Telehealth	TVBRF	USF	TRS	Other	Total
Budgetary Resources:								
Unobligated balance from prior year budget authority, net	$ 81,898	$ 41,860	$ -	$ 950,723	$ (10,763,629)	$ 298,766	$ 2,840	$ (9,387,542)
Appropriations (discretionary and mandatory)		-	200,000	-	7,960,080	1,488,713	-	9,648,793
Spending authority from offsetting collections (discretionary and mandatory)	339,880	132,539	-	-	-	-	2	472,421
Total budgetary resources	$ 421,778	$ 174,399	$ 200,000	$ 950,723	$ (2,803,549)	$ 1,787,479	$ 2,842	$ 733,672
Adjustment to unobligated balance brought forward, October 1								
Status of Budgetary Resources:								
New obligations and upward adjustments (total)	$ 388,460	$ 131,676	$ 200,000	$ 243,229	$ 6,911,471	$ 1,441,307	$ -	$ 9,316,143
Unobligated balance, end of year:								
Apportioned, unexpired accounts	26,776	30,982	-	707,494	-	346,172	2,816	1,114,240
Exempt from apportionment, unexpired accounts	-	-	-	-	(9,715,020)	-	-	(9,715,020)
Unapportioned, unexpired accounts	6,338	11,741	-	-	-	-	26	18,105
Unexpired unobligated balance, end of year	33,114	42,723	-	707,494	(9,715,020)	346,172	2,842	(8,582,675)
Expired unobligated balance, end of year	204	-	-	-	-	-	-	204
Unobligated balance, end of year (total)	33,318	42,723	-	707,494	(9,715,020)	346,172	2,842	(8,582,471)
Total status of budgetary resources	$ 421,778	$ 174,399	$ 200,000	$ 950,723	$ (2,803,549)	$ 1,787,479	$ 2,842	$ 733,672
Outlays, Net:								
Outlays, net (discretionary and mandatory)	$ 23,881	$ (7,835)	$ 36,982	$ 546,036	$ 8,249,044	$ 1,423,802	$ (2)	$ 10,271,908
Distributed offsetting receipts (-)	(28,406)	-	-	-	-	(1,363)	-	(29,769)
Agency outlays, net (discretionary and mandatory)	$ (4,525)	$ (7,835)	$ 36,982	$ 546,036	$ 8,249,044	$ 1,422,439	$ (2)	$ 10,242,139