# Audit of Federal Communications Commission's FY 2020 Financial Statements

20-AUD-07-01

<u>Report Number</u>

November 13, 2020

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**OFFICE OF INSPECTOR GENERAL**

**MEMORANDUM**

**DATE:** November 13, 2020

**TO:** Chairman

**FROM:** Inspector General For RM

**SUBJECT:** Audit of the Federal Communications Commission's Financial Statements for Fiscal Year 2020

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) 2020 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. In summary, Kearney found:

- The financial statements were fairly presented in all material respects, in conformity with U.S. generally accepted accounting principles.

- A significant deficiency related to information technology controls (IT) at FCC and Universal Service Fund (USF), which was a repeat issue from the fiscal year 2019 audit report.

- No reportable instances of noncompliance with laws, regulations and contracts applicable to FCC.

Kearney cleared a prior year audit finding related to the USF budgetary accounting and the associated prior year audit recommendations. Kearney also reported separately in its Federal Information Security Management Act (FISMA) report 17 IT recommendations, which are intended to improve the effectiveness of IT controls over FCC and Universal Service Administrative Company systems. The details of the all IT findings and recommendations are included in the separate FISMA evaluation report.

Kearney is wholly responsible for the attached financial statement audit reports dated, November 13, 2020, and the conclusions expressed therein. In connection with our contract, we reviewed Kearney's reports and related documentation and inquired of its representatives. Our review 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 and, accordingly, we do not express an opinion on the 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 the staff of Kearney & Company, P.C. 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 Chairman, Managing Director, and the Inspector General of the Federal Communications Commission:

## Report on the Financial Statements

We have audited the accompanying financial statements of the Federal Communications Commission (FCC), which comprise the consolidated balance sheet as of September 30, 2020 and 2019, the related consolidated statements of net cost, changes in net position, and custodial activity, and the combined statement of budgetary resources (hereinafter referred to as the "financial statements") for the years then ended, as well as 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 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.

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 FCC as of September 30, 2020 and 2019, 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") sections 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. The information in the *Message from the Chairman* and the *Other Information* sections in the Agency Financial Report are 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 audits 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. 19-03, we have also issued reports, dated November 13, 2020, on our consideration of FCC's internal control over financial reporting and on our tests of FCC's compliance with provisions of laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2020. The purpose of those reports is to describe the scope of our testing of internal control over

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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. 19-03 and should be considered in assessing the results of our audits.

Kearney & Company

Alexandria, Virginia
November 13, 2020

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Chairman, 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; and Office of Management and Budget (OMB) Bulletin No. 19-03*, Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2020, 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 13, 2020.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 FCC's internal control. Accordingly, we do not express an opinion on the effectiveness of FCC's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 19-03. 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 were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

**FCC's Responses to Findings**

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 2020*, included in FCC's Agency Financial Report. 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, and not to provide an opinion on the effectiveness of FCC's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 19-03 in considering the entity's internal control. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 13, 2020

## Schedule of Findings

## Significant Deficiency

### I. Information Technology

**Background:** The Federal Communications Commission (FCC) uses information systems to compile information for financial reporting purposes, including FCC's core financial management and accounting system, Genesis. 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 FCC's financial statements include financial transactions relating to the Universal Service Fund (USF) programs, 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 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 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) 2020 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 2020 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, FCC did not enforce the use of Personal Identity Verification (PIV) credentials as a dual-factor authentication mechanism for logical access, and FCC did not consistently remediate identified network vulnerabilities within the timeframes required by FCC policy.

- **Genesis –**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. Further, we noted additional control deficiencies impacting Genesis beyond those inherited from FCC's general IT support system. Specifically, FCC did not perform reviews of required auditable events captured in a Genesis application audit log in accordance with FCC's policies and internal control documentation. Required auditable events include access changes to Genesis user accounts.

- **USAC Systems Utilized in Administering the USF Programs –** USAC did not properly manage user accounts with access to both FOS and EPC. 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. Similar to FCC, required auditable events include access changes to EPC user accounts.

In general, FCC did not implement effective policies, procedures, and controls over its general IT support system and Genesis. Additionally, USAC did not implement effective security and account management policies, procedures, and processes over FOS and EPC.

**Cause:** FCC'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 significant resources. Additionally, USAC's efforts, under FCC oversight, to remediate deficiencies in systems utilized in administering the USF programs remained incomplete due primarily to prioritization, timing, and resource constraints.

**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 FCC will be unable to report financial data in an accurate and timely manner.

**Recommendations:** Our full FY 2020 FISMA evaluation report included 17 recommendations intended to improve the effectiveness of FCC's Information Security Program controls in the areas of Risk Management, Configuration Management, Identity and Access Management, and ISCM. Eight of the recommendations related to FCC and nine of the recommendations related to USAC. Of the eight FCC recommendations, seven related to FISCAM control areas. All nine of the USAC recommendations related to FISCAM control areas.

## Appendix A: Status of Prior-Year Findings and Recommendations

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) 2019 financial statements,[1] Kearney & Company, P.C. (Kearney) noted two reportable findings. The status of the FY 2019 internal control findings and recommendations are summarized in ***Exhibit 1*** and ***Exhibit 2***.

***Exhibit 1: Status of Prior-Year Findings***

| Control Deficiency | FY 2019 Status | FY 2020 Status |
|---|---|---|
| **Universal Service Fund (USF) Budgetary Accounting** | Significant Deficiency | Closed |
| **Information Technology (IT)** | Significant Deficiency | Significant Deficiency |

During the FY 2019 financial statement audit, Kearney made specific recommendations to FCC related to the control deficiencies noted above to strengthen FCC's internal control environment over financial reporting. The status of the FY 2019 internal control recommendations is summarized in ***Exhibit 2***.

***Exhibit 2: Status of Prior-Year Recommendations***

| Related Control Deficiency | Recommendation Description | FY 2020 Status |
|---|---|---|
| **USF Budgetary Accounting** | Policies and procedures for recording obligations and de-obligations | Closed |
| | Quality control over high-dollar obligations processed in the legacy system | Closed |
| | Lines of communication between Accounting personnel and the program offices | Closed |
| **IT**[2] | Kearney issued 24 IT-related recommendations in FY 2019 | 7 Open<br>17 Closed |

[1] The *Independent Auditor's Report on Internal Control Over Financial Reporting* was published in FCC's FY 2019 Agency Financial Report.
[2] Kearney issued 24 recommendations in the FY 2019 FISMA evaluation report. During FY 2020, FCC took appropriate action to close 17 recommendations, and we either updated or re-issued the seven recommendations that remain open. The FY 2020 FISMA evaluation report includes additional, detailed information on each of the 24 prior-year recommendations.

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

To the Chairman, 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; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, the financial statements of the Federal Communications Commission (FCC) as of and for the year ended September 30, 2020, 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 13, 2020.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the FCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements with which could have a direct and material effect on the determinations 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 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. 19-03. Although our audit procedures did not identify any instances of known noncompliance in fiscal year (FY) 2020, FCC management communicated potential instances of noncompliance with the Antideficiency Act[1] based on events that occurred in FY 2011 and FY 2019. These potential instances of noncompliance were still being researched by FCC as of September 30, 2020.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of FCC's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing*

[1] The Antideficiency Act prohibits FCC from obligating or expending Federal funds in advance or in excess of an appropriation, as well as from accepting voluntary services.

*Standards* and OMB Bulletin No. 19-03 in considering FCC's compliance. Accordingly, this report is not suitable for any other purpose.

Kearney & Company

Alexandria, Virginia
November 13, 2020

## Commission's Response to Independent Auditor's Reports

**UNITED STATES GOVERNMENT**
**FEDERAL COMMUNICATIONS COMMISSION**

***Office of the Managing Director***

**DATE:** November 13, 2020

**TO:** David L. Hunt, Inspector General

**FROM:** Mark Stephens, Managing Director
Jae Seong, Chief Information Officer
Francisco Salguero, Chief Information Officer

**SUBJECT:** Management's Response to Independent Auditors reports on Internal Control over Financial Reporting and Compliance with Laws, Regulations, Contracts, and Grant Agreements for Fiscal Year 2020

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Thank you for the opportunity to review and comment on the draft reports entitled Independent *Auditor's Report on the 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 fifteenth straight year, the independent auditor provided an unmodified ("clean") opinion and found that the Commission's consolidated financial statements for Fiscal Year (FY) 2020 present fairly, in all material respects, the financial position of the Commission as of September 30, 2020. 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 2020 audit report identified one significant deficiency related to information technology controls. We concur with the recommendations made by the independent auditors in their reports.

We look forward to working in FY 2021 to resolve the FY 2020 audit findings and to enhance the culture of integrity, accountability, and excellence that exists here at the Commission.

| | | |
|---|---|---|
| Mark Stephens<br>Managing Director<br>Office of Managing Director | Jae Seong<br>Chief Financial Officer<br>Office of Managing Director | Francisco Salguero<br>Chief Information Officer<br>Office of Managing Director |

## Principal Statements

**Federal Communications Commission**
**Consolidated Balance Sheets**
As of September 30, 2020 and 2019
(Dollars in thousands)

| | FY 2020 | FY 2019 |
|---|---|---|
| **Assets** (Note 2): | | |
| **Intragovernmental:** | | |
| Fund Balance with Treasury (Note 3) | $ 18,787,296 | $ 14,516,697 |
| Investments (Note 4) | - | 307,899 |
| Accounts receivable, net (Note 5) | 439 | 449 |
| Other | 2,863 | 1,241 |
| **Total intragovernmental** | 18,790,598 | 14,826,286 |
| Cash and other monetary assets | - | 5,437 |
| Accounts receivable, net (Note 5) | 788,501 | 893,321 |
| General property, plant, and equipment, net (Note 6) | 79,878 | 72,138 |
| Other | 18,024 | 13,024 |
| **Total assets** | $ 19,677,001 | $ 15,810,206 |
| **Liabilities** (Note 7)**:** | | |
| **Intragovernmental:** | | |
| Accounts payable | $ 10,525 | $ 813 |
| Other (Note 8) | | |
| Liability to the General Fund and Other Non-Entity Assets | 7,738,740 | 3,381,997 |
| Other | 3,553 | 3,214 |
| Total other | 7,742,293 | 3,385,211 |
| **Total intragovernmental** | 7,752,818 | 3,386,024 |
| Accounts payable | 827,857 | 697,338 |
| Federal employee and veteran benefits | 3,019 | 3,118 |
| Other (Note 8) | | |
| Deferred revenue | 2,997,879 | 2,767,977 |
| Prepaid contributions | 108,399 | 57,155 |
| Accrued liabilities for USF and TRS | 483,329 | 489,926 |
| Other | 51,379 | 41,389 |
| Total other | 3,640,986 | 3,356,447 |
| **Total liabilities** | $ 12,224,680 | $ 7,442,927 |
| Commitments and contingencies (Note 9) | | |
| **Net position** | | |
| Unexpended appropriations – Funds from Dedicated Collections (Note 10) | $ 857,848 | $ 982,952 |
| Unexpended appropriations – All other funds | 150,738 | 2,816 |
| Cumulative results of operations – Funds from Dedicated Collections (Note 10) | 6,251,781 | 7,158,613 |
| Cumulative results of operations – All other funds | 191,954 | 222,898 |
| Total net position – Funds from dedicated collections (Note 10) | 7,109,629 | 8,141,565 |
| Total net position – All other funds | 342,692 | 225,714 |
| **Total net position** | 7,452,321 | 8,367,279 |
| **Total liabilities and net position** | $ 19,677,001 | $ 15,810,206 |

The accompanying notes are an integral part of these statements.

**Federal Communications Commission**
**Consolidated Statements of Net Cost**
For the Years Ended September 30, 2020 and 2019
(Dollars in thousands)

| | FY 2020 | FY 2019 |
|---|---|---|
| **Gross Program Costs:** | | |
| **Closing the Digital Divide** | | |
| Total Gross Cost | $ 9,183,823 | $ 9,328,121 |
| **Promoting Innovation** | | |
| Total Gross Cost | 1,456,872 | 1,713,767 |
| **Protecting Consumers and Public Safety** | | |
| Total Gross Cost | 71,516 | 70,911 |
| **Reforming the FCC's Processes** | | |
| Total Gross Cost | 161,254 | 110,092 |
| **Total Program Costs** | $ 10,873,465 | $ 11,222,891 |
| **Less: earned revenues not attributed to programs** | (506,433) | (513,959) |
| **Net cost of operations** | $ 10,367,032 | $ 10,708,932 |

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, 2020 and 2019
(Dollars in thousands)

| | FY 2020 | | | FY 2019 | | |
|---|---|---|---|---|---|---|
| | **Funds from Dedicated Collections** (Note 10) | **All Other Funds** | **Consolidated Total** | **Funds from Dedicated Collections** (Note 10) | **All Other Funds** | **Consolidated Total** |
| **Unexpended Appropriations:** | | | | | | |
| Beginning Balance, as adjusted | $ 982,952 | $ 2,816 | $ 985,768 | $ 600,000 | $ 2,816 | $ 602,816 |
| **Budgetary Financing Sources:** | | | | | | |
| Appropriations received | - | 200,000 | 200,000 | 400,000 | - | 400,000 |
| Appropriations used | (125,104) | (52,078) | (177,182) | (17,048) | - | (17,048) |
| Total Budgetary Financing Sources | (125,104) | 147,922 | 22,818 | 382,952 | - | 382,952 |
| **Total Unexpended Appropriations** | $ 857,848 | $ 150,738 | $ 1,008,586 | $ 982,952 | $ 2,816 | $ 985,768 |
| **Cumulative Results from Operations:** | | | | | | |
| Beginning Balance, as adjusted | $ 7,158,613 | $ 222,898 | $ 7,381,511 | $ 8,077,259 | $ 311,118 | $ 8,388,377 |
| **Budgetary Financing Sources:** | | | | | | |
| Appropriations used | 125,104 | 52,078 | 177,182 | 17,048 | - | 17,048 |
| Nonexchange revenue | 9,271,661 | 3,320 | 9,274,981 | 9,829,226 | - | 9,829,226 |
| **Other Financing Sources (Nonexchange):** | | | | | | |
| Imputed Financing | - | 11,670 | 11,670 | - | 13,345 | 13,345 |
| Other | - | (34,577) | (34,577) | - | (157,553) | (157,553) |
| Total Financing Sources | 9,396,765 | 32,491 | 9,429,256 | 9,846,274 | (144,208) | 9,702,066 |
| Net Cost of Operations | 10,303,597 | 63,435 | 10,367,032 | 10,764,920 | (55,988) | 10,708,932 |
| Net Change | (906,832) | (30,944) | (937,776) | (918,646) | (88,220) | (1,006,866) |
| **Cumulative Results of Operations** | 6,251,781 | 191,954 | 6,443,735 | 7,158,613 | 222,898 | 7,381,511 |
| **Net Position** | $ 7,109,629 | $ 342,692 | $ 7,452,321 | $ 8,141,565 | $ 225,714 | $ 8,367,279 |

The accompanying notes are an integral part of these statements.

**Federal Communications Commission**
**Combined Statements of Budgetary Resources**
For the Years Ended September 30, 2020 and 2019
(Dollars in thousands)

| | FY 2020 | FY 2019 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated balance from prior year budget authority, net (discretionary and mandatory) | $ (9,387,542) | $ (4,467,012) |
| Appropriations (discretionary and mandatory) | 9,648,793 | 10,156.114 |
| Spending Authority from offsetting collections (discretionary and mandatory) | 472,421 | 470,472 |
| Total budgetary resources | $ 733,672 | $ 6,159,574 |
| **Status of Budgetary Resources:** | | |
| New obligations and upward adjustments (total) | $ 9,316,143 | $ 16,199,733 |
| Unobligated balance, end of year: | | |
| Apportioned, unexpired accounts | 1,114,240 | 1,304,725 |
| Exempt from apportionment, unexpired accounts (Note 1 A) | (9,715,020) | (11,374,243) |
| Unapportioned, unexpired account | 18,105 | 29,117 |
| Unexpired unobligated balance, end of year | (8,582,675) | (10,040,401) |
| Expired unobligated balance, end of year | 204 | 242 |
| Unobligated balance, end of year (total) | (8,582,471) | (10,040,159) |
| Total status of budgetary resources | $ 733,672 | $ 6,159,574 |
| **Outlays, Net:** | | |
| Outlays, net (total) (discretionary and mandatory) | $ 10,271,908 | $ 10,582,524 |
| Distributed offsetting receipts (-) | (29,769) | (55,388) |
| Agency outlays, net (discretionary and mandatory) | $ 10,242,139 | $ 10,527,136 |

The accompanying notes are an integral part of these statements.

**Federal Communications Commission**
**Consolidated Statements of Custodial Activity**
For the Years Ended September 30, 2020 and 2019
(Dollars in thousands)

| | FY 2020 | FY 2019 |
|---|---|---|
| **Total Custodial Revenue:** | | |
| Sources of Cash Collections: | | |
| Spectrum Auctions | $ 10,291,811 | $ 1,156,980 |
| Fines and Penalties | 63,343 | 7,746 |
| Total Cash Collections | 10,355,154 | 1,164,726 |
| | | |
| Accrual Adjustments (+/-) | | |
| Spectrum Auctions | - | 21,321 |
| Fines and Penalties | 4,504 | 424 |
| Total Accrual Adjustments | 4,504 | 21,745 |
| | | |
| **Total Custodial Revenue (Note 16)** | 10,359,658 | 1,186,471 |
| | | |
| **Disposition of Collections:** | | |
| Transferred to Others: | | |
| U.S. Treasury | (2,786,204) | (9,040) |
| Public Safety Trust Fund (NTIA) | - | (1,155,251) |
| | | |
| (Increase)/Decrease in Amounts Yet to be Transferred (+/-) | (4,356,742) | 129,425 |
| | | |
| Refunds and Other Payments | | |
| Auctions Salaries & Expenses (FCC) (Note 13) | (132,539) | (130,284) |
| Reverse Incentive Auction Winners | (3,084,173) | (21,321) |
| | | |
| **Total Disposition of Collections** | (10,359,658) | (1,186,471) |
| | | |
| **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, 2020 and 2019**
(Dollars in thousands unless otherwise stated)

**Note 1 – Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Federal Communications Commission (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 will administer the newly established Connected Care Pilot Program (CCPP). Section 510 of Division C of the Consolidated Appropriations Act, 2020, P.L. 116–93, amended Section 302 of the Universal Service Antideficiency Temporary Suspension Act, Title III of P.L. 108-494, to extend the Universal Service programs exemption from the application of the provisions of the Antideficiency Act until December 31, 2020. Accordingly, 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. Prior to FY 2020 the TRS fund was reported together with the USF. Information regarding disclosure entities is separately disclosed in Note 18.

**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**

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

**Note 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. The deposit funds are used to hold amounts temporarily until they can be properly disbursed or distributed.

**E. Investments**

Investments are reported at their acquisition cost, adjusted for amortization of premiums or discounts using the Effective Interest Method. All investments are in Treasury securities.

**F. 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 the United States Treasury for collection, and other items. The TRS administrator periodically reviews the estimates and may change the assessment of recoverability based on actual results.

**G. 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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**G. General Property, Plant and Equipment, Net (continued)**

| 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.

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.

**H. Other Assets**

Other Assets with agencies represent advance payments for intragovernmental agreements. Other Assets with the public represent the balance of transfers less expenses made by the USF to 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.

**I. 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 certain support mechanisms within the High Cost program and TRS Fund. The obligations are recognized for subsidies related to certain USF support mechanisms and a TRS program that includes: Mobility Fund Phase I, Connect America Fund (CAF) Phase II, CAF Phase II reverse auction (CAF II Auction), Rural Broadband Experiment, Alternative Connected America Model (A-CAM), A-CAM II, Alaska Plan, and TRS's National Deaf-Blind Equipment Distribution Program. For these USF support mechanisms and TRS program, an accrual is made to Accounts Payable instead of Accrued Liabilities. The Commission does not accrue for payments under the Schools & Libraries 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 program, the expenses related to COVID-19 Emergency Telehealth Support (COVID-19 Telehealth) Program are non-exchange expenses. The Commission does not accrue payments under the COVID-19 Telehealth Program until submitted eligible expenses are approved for payment. Refer to Note 19 for more information. Accrued Liabilities for the TV Broadcaster Relocation Fund (TVBRF) represent liabilities for invoices received but not processed and for costs incurred but not invoiced related to relocation costs incurred by full power and Class A broadcasters that were reassigned

**Note 1 – Summary of Significant Accounting Policies (continued)**

**I. Accounts Payable and Accrued Liabilities (continued)**

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.

**J. 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.

**K. 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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**K. Retirement Plans and Other Benefits (continued)**

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.

**L. 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.

**M. 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 $339,000 for FY 2020 and FY 2019. The Commission also collected $6,310 above the required regulatory level in FY 2020 and $13,732 above the required level in FY 2019. As of September 30, 2020, the Commission transferred inception to date excess regulatory fee collections totaling $141,269 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 $132,539 for FY 2020 and $130,284 for FY 2019.

Radio Spectrum Auction Proceeds (Exchange) – In accordance with the provisions of Statement of Federal Financial Accounting Standards (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 $10,291,811 of custodial revenue (net of accrual adjustments) related to spectrum auctions in FY 2020 and $1,178,301 in

**Note 1 – Summary of Significant Accounting Policies (continued)**

**M. Exchange Revenue and Financing Sources (continued)**

FY 2019. In FY 2020, the Commission transferred $2,725,238 to the Treasury General Fund. In FY 2019, the Commission transferred $1,155,251 of custodial revenue from the Broadcast Incentive Auction (BIA) to the Public Safety Trust Fund, and $1,295 from other spectrum auctions 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 calculated over a specific period of time. Application fees are deposited in the Treasury and are not available for the Commission's use. Application fee revenue totaled $24,947 in FY 2020 and $22,594 in FY 2019. The RAY BAUM'S Act amended 47 U.S.C. § 158 with an effective date of October 1, 2018. Congress provided that application fees in effect before the effective date October 1, 2018 shall remain in effect until the Commission adjusts or amends such fees. The most recent Order increasing application fees to reflect changes in the CPI index was adopted by the Commission on August 12, 2020 and released on August 26, 2020.

Reimbursable Work Agreements (Exchange) – The Commission recognizes reimbursable work agreement revenue when earned, i.e., goods that have been delivered or services rendered. The Commission executed agreements totaling $1,294 in FY 2020 and $856 in FY 2019.

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 (Financing Source) – Carriers conducting interstate telecommunications are required to contribute a portion of their revenues to fund the cost of providing universal service programs and Telecommunications Relay Service. These contributions represent dedicated collections and are accounted for as a budgetary financing source. Contributions of $7,806,448 were received by USF and $1,454,989 were received by TRS in FY 2020. Contributions of $8,323,010 were received by USF and $1,474,191 were received by TRS in FY 2019. For more information, refer to Note 10.

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 $339,000 for FY 2020 and FY 2019. In FY 2020, Division B - Emergency Appropriations For Coronavirus Health Response And Agency Operations, Title V of the Coronavirus Aid, Relief, and Economic Security (CARES) Act authorized the Commission to provide $200,000 appropriated by Congress to help health care providers provide Telehealth services to patients at their homes or mobile locations in response to the COVID-19 pandemic. Regulatory fee collections fully funded the non-CARES Act no-year appropriations for FY 2020 and FY 2019.

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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

**M. Exchange Revenue and Financing Sources (continued)**

The last active loan matured in April 2007, and the Commission wrote off all remaining loans in FY 2013. As a result, no material activity related to direct loans has occurred in FY 2020 and FY 2019, and the Commission is working with OMB to close-out the Credit Reform Program. The most recent subsidy re-estimate was completed in September 30, 2015; OMB waived the requirement to perform a subsidy re-estimate in FY 2020 and FY 2019.

**N. Reprogramming**

For the years ended September 30, 2020 and 2019, the Commission did not request any reprogramming of prior year de-obligated funds.

**O. 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 10.

**P. 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 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 does 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, 2019, that reimbursement of full power and Class A stations and MVPDs would be prioritized

**Note 1 – Summary of Significant Accounting Policies (continued)**

**P. Broadcast Incentive Auction (continued)**

over reimbursement of LPTV/TV Translator and FM stations. As of September 30, 2020, the Commission made a total allocation of $2,017,832 for eligible full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations.

Accrued Liabilities are recorded in the TVBRF for invoices received but not processed and for costs incurred but not invoiced. As of September 30, 2020, an accrued accounts payable of $416,556 was recorded for the full power and Class A broadcasters, MVPDs, LPTV/TV Translators and FM stations.

**Q. Connect America Fund Phase II Auction**

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, 2020, the FCC has directed USAC to obligate a total of $1,476,555 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 is total amount of $3,999 bids in default as of September 30, 2020, leaving a balance of $7,776 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, 2020, FCC has directed USAC to obligate a total amount of $63,088, with remaining balance of $107,312 to be obligated.

**R. Comparison and Other**

Prior to FY 2020, the USF included the four Universal Service support mechanisms and the TRS Fund. The combined operational results were presented under Treasury Account 027X5183 for FY 2019 and had been presented this way in prior years as well. Beginning in FY 2020, USF continued to be reported under Treasury Account 027X5183; however, TRS was reported separately under its own Treasury Account 027X5700 that was approved by OMB.

Certain FY 2019 amounts have been reclassified to conform to the FY 2020 presentation.

**Note 2 – Non-entity Assets**

The following summarizes Non-entity Assets as of September 30, 2020 and 2019:

| | FY 2020 | FY 2019 |
|---|---|---|
| Intragovernmental: | | |
| Fund Balance with Treasury | $ 10,695,711 | $ 6,108,348 |
| Accounts Receivable, Net | 352 | 351 |
| Total Intragovernmental | 10,696,063 | 6,108,699 |
| | | |
| Accounts Receivable, Net | 21,396 | 15,601 |
| Total Non-entity Assets | 10,717,459 | 6,124,300 |
| Total Entity Assets | 8,959,542 | 9,685,906 |
| Total Assets | $ 19,677,001 | $ 15,810,206 |

**Note 2 – Non-entity Assets (continued)**

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, 2020 and 2019:

| | FY 2020 | FY 2019 |
|---|---|---|
| Unobligated Balance | | |
| Available | $ (8,600,781) | $ (10,367,548) |
| Unavailable | 35,405 | 46,456 |
| Obligated Balance not yet Disbursed | 16,656,961 | 18,729,441 |
| Non-Budgetary FBWT | 10,695,711 | 6,108,348 |
| Total | $ 18,787,296 | $ 14,516,697 |

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, the auction and reimbursable accounts, the credit reform program account, other no-year accounts used to carry over spectrum auction funds, offsetting collections, excess regulatory fees, 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, FM stations who were involuntarily reassigned to new channels or incur 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, 2020 and are not subject to an apportionment by OMB. In May 2018, USAC began moving USF funds held in a private banking institution to an account within Treasury and as of September 30, 2019, USAC completed the transfer. In FY 2020, the TRS funds were moved to a newly established account within the Treasury.

Deposit Funds – Includes monies being held for spectrum auctions, ITS, and regulatory fees. 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 – Investments**

All Treasury securities, regardless of their maturity date, are reported as investments. The Commission held all investments to maturity; therefore, no adjustments have been made to present market value in FY 2020 and FY 2019.

As of September 30, 2019, USAC completed the transfer. In FY 2020, the TRS funded securities matured and were moved to a newly established account within the Treasury.

There were no Investments held by the Commission as of September 30, 2020. The following table summarizes Investments as of September 30, 2020 and 2019:

| FY 2020 | Purchase Cost | Amortization Method | Amortized (Premium) Discount | Interest Receivable | Investments Net | Other Adjustments | Market Value Disclosures |
|---|---|---|---|---|---|---|---|
| Intragovernmental Securities | | | | | | | |
| Marketable Securities | | | | | | | |
| Treasury Bills | $ - | EI | $ - | $ - | $ - | $ - | $ - |
| Total | $ - | EI | $ - | $ - | $ - | $ - | $ - |

| FY 2019 | Purchase Cost | Amortization Method | Amortized (Premium) Discount | Interest Receivable | Investments Net | Other Adjustments | Market Value Disclosures |
|---|---|---|---|---|---|---|---|
| Intragovernmental Securities | | | | | | | |
| Marketable Securities | | | | | | | |
| Treasury Bills | $307,224 | EI | $ 675 | $ - | $307,899 | $ - | $307,224 |
| Total | $307,224 | EI | $ 675 | $ - | $307,899 | $ - | $307,224 |

EI – Effective Interest Method

**Note 5 – Accounts Receivable, Net**

The following summarizes Accounts Receivable, Net as of September 30, 2020 and 2019:

| 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 |

| FY 2019 | Intragovernmental | Public | Total |
|---|---|---|---|
| Gross Accounts Receivable | $ 449 | $ 1,737,588 | $ 1,738,037 |
| Allowance for Doubtful Accounts | - | (844,267) | (844,267) |
| Accounts Receivable, Net | $ 449 | $ 893,321 | $ 893,770 |

**Note 5 – Accounts Receivables, Net (continued)**

The following summarizes accounts receivable by type as of September 30, 2020 and 2019:

| FY 2020 | Accounts Receivable | Allowance | Net |
|---|---|---|---|
| USF | $ 1,023,679 | $ (314,298) | $ 709,381 |
| COMAD - Schools and Libraries | 193,569 | (187,826) | 5,743 |
| TRS | 122,068 | (71,095) | 50,973 |
| Regulatory Fees | 34,457 | (21,350) | 13,107 |
| Spectrum Auction | 8,680 | (8,680) | - |
| Civil Monetary Penalties | 250,023 | (244,980) | 5,043 |
| Other | 11,524 | (6,831) | 4,693 |
| Total | $ 1,644,000 | $ (855,060) | $ 788,940 |

| FY 2019 | Accounts Receivable | Allowance | Net |
|---|---|---|---|
| USF | $ 1,082,561 | $ (295,932) | $ 786,629 |
| COMAD - Schools and Libraries | 198,982 | (190,459) | 8,523 |
| TRS | 147,188 | (65,346) | 81,842 |
| Regulatory Fees | 33,717 | (21,902) | 11,815 |
| Spectrum Auction | 8,680 | (8,680) | - |
| Civil Monetary Penalties | 255,212 | (254,368) | 844 |
| Other | 11,697 | (7,580) | 4,117 |
| Total | $ 1,738,037 | $ (844,267) | $ 893,770 |

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 2020 and 96% in FY 2019.

The TRS accounts receivables includes $9,047 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 6 – General Property, Plant and Equipment, Net**

OMB Circular No. A-136, *Financial Reporting Requirements—Revised* indicates that comparative presentation for the prior year is not required in the initial year of implementation. The following table summarizes total PP&E and accumulated depreciation for the period ended September 30, 2020.

**Note 6 – General Property, Plant and Equipment, Net (continued)**

| | FY 2020 Net PP&E |
|---|---|
| Balance beginning of year | $ 72,138 |
| Capitalized acquisitions | 28,894 |
| Depreciation expense | (21,154) |
| Balance at end of year | $ 79,878 |

**Note 7 – Liabilities Not Covered by Budgetary Resources**

The following summarizes Liabilities Not Covered by Budgetary Resources as of September 30, 2020 and 2019:

| | FY 2020 | FY 2019 |
|---|---|---|
| Intragovernmental: | | |
| FECA Liability | $ 486 | $ 548 |
| Total Intragovernmental | 486 | 548 |
| Actuarial FECA Liability | 3,019 | 3,118 |
| Other: | | |
| Unfunded Leave | 23,555 | 18,083 |
| Energy Savings Performance Contract | 7,027 | 7,114 |
| Accrued Liabilities for Universal Service | 483,329 | 489,926 |
| Total liabilities not covered by budgetary resources | 517,416 | 518,789 |
| Total liabilities covered by budgetary resources | 1,002,910 | 811,270 |
| Total liabilities not requiring budgetary resources | 10,704,354 | 6,112,868 |
| Total Liabilities | $ 12,224,680 | $ 7,442,927 |

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 8 – Other Liabilities**

The following summarizes Other Liabilities as of September 30, 2020 and 2019:

| 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 |
| | | | |
| Deferred Revenue | $ 23,951 | $ 2,973,928 | $ 2,997,879 |
| Prepaid Contributions | - | 108,399 | 108,399 |
| Accrued Liabilities for USF and TRS | - | 483,329 | 483,329 |
| Other | 6,570 | 44,809 | 51,379 |
| Total Other | $ 30,521 | $ 3,610,465 | $ 3,640,986 |

| FY 2019 | Non-Current | Current | Total |
|---|---|---|---|
| Intragovernmental | | | |
| Liability to the General Fund and Other Non-Entity Assets | $ - | $ 3,381,997 | $ 3,381,997 |
| Other | - | 3,214 | 3,214 |
| Total Intragovernmental | $ - | $ 3,385,211 | $ 3,385,211 |
| | | | |
| Deferred Revenue | $ 24,580 | $ 2,743,397 | $ 2,767,977 |
| Prepaid Contributions | - | 57,155 | 57,155 |
| Accrued Liabilities for USF and TRS | - | 489,926 | 489,926 |
| Other | 6,666 | 34,723 | 41,389 |
| Total Other | $ 31,246 | $ 3,325,201 | $ 3,356,447 |

The Liability to the General Fund and Other Non-Entity Assets includes both cash collected, and net accounts receivable being held for transfer to the Treasury General Fund or other Federal agencies. In FY 2019, the presentation for Custodial liability was revised and included into the line "The Liability to the General Fund and Other Non-Entity Assets." The Commission collects the following types of custodial revenue: spectrum auction revenue, fines and forfeitures revenue, penalty revenue on regulatory fees, and ITS processing fees. Deferred revenue represents multi-year regulatory fees, spectrum auction revenue, or contributor payments that have been received but not earned by the Commission.

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 9 – 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, RL, 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.

The Commission has examined its obligations related to cancelled authority and believes it has no outstanding commitments requiring future resources other than those as disclosed in Note 7. 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, 2020, the likelihood of an unfavorable outcome on all current legal cases is considered remote and no additional disclosure is needed.

**Note 10 – Funds from Dedicated Collections**

The telecommunications companies in the U.S. are obligated to make contributions to the USF and the TRS Fund. These contributions were accounted for in the Budget of the U.S. Government as the "Universal Service Fund" for FY 2019 and prior years. The TRS numbers are reported under a separate account starting FY 2020. 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 2020 and FY 2019.

The following pages summarize the significant assets, liabilities, and costs incurred related to the TVBRF, USF and TRS as of September 30, 2020 and 2019.

## Note 10 – Funds from Dedicated Collections (continued)

| FY 2020 | TVBRF | USF | TRS | Total Funds from Dedicated Collections |
|---|---|---|---|---|
| **Balance Sheet as of September 30, 2020** | | | | |
| Assets: | | | | |
| Intragovernmental: | | | | |
| Fund Balance with Treasury | $ 1,407,813 | $ 5,911,691 | $ 377,572 | $ 7,697,076 |
| Investments, net | - | - | - | - |
| Total intragovernmental assets | 1,407,813 | 5,911,691 | 377,572 | 7,697,076 |
| Cash and other monetary assets | - | - | - | - |
| Accounts receivable, net | 572 | 715,124 | 51,020 | 766,716 |
| General property, plant, and equipment, net | - | 16,441 | - | 16,441 |
| Other assets | - | 18,024 | - | 18,024 |
| Total assets | $ 1,408,385 | $ 6,661,280 | $ 428,592 | $ 8,498,257 |
| Liabilities: | | | | |
| With public: | | | | |
| Accounts payable | | $ 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 | | | | |
| Total Unexpended Appropriations | $ 857,848 | $ - | $ - | $ 857,848 |
| Cumulative results from operations | | | | |
| Beginning Balances | 646,735 | 6,358,074 | 153,804 | 7,158,613 |
| Appropriations used | 125,104 | - | - | 125,104 |
| 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 |
| Change in net position | (516,330) | (415,969) | 25,467 | (906,832) |
| Cumulative results of operations | 130,405 | 5,942,105 | 179,271 | 6,251,781 |
| Net position | $ 988,253 | $ 5,942,105 | $ 179,271 | $ 7,109,629 |

## Note 10 – Funds from Dedicated Collections (continued)

| FY 2019 | TVBRF | USF | TRS | Total Funds from Dedicated Collections |
|---|---|---|---|---|
| **Balance Sheet as of September 30, 2019** | | | | |
| Assets: | | | | |
| Intragovernmental: | | | | |
| Fund Balance with Treasury | $ 1,953,849 | $ 6,200,654 | $ - | $ 8,154,503 |
| Investments | - | - | 307,899 | 307,899 |
| Total intragovernmental assets | 1,953,849 | 6,200,654 | 307,899 | 8,462,402 |
| Cash and other monetary assets | - | - | 5,437 | 5,437 |
| Accounts receivable, net | 297 | 794,522 | 82,841 | 877,660 |
| General property, plant, and equipment, net | - | 23,571 | - | 23,571 |
| Other assets | - | 13,024 | - | 13,024 |
| Total assets | $ 1,954,146 | $ 7,031,771 | $ 396,177 | $ 9,382,094 |
| Liabilities: | | | | |
| With public: | | | | |
| Accounts payable | $ 324,459 | $ 351,685 | $ 7,130 | $ 683,274 |
| Deferred revenue | - | - | 10.174 | 10,174 |
| Prepaid contributions | - | 55,834 | 1.321 | 57,155 |
| Accrued liabilities | - | 266,178 | 223,748 | 489,926 |
| Total liabilities | $ 324,459 | $ 673,697 | $ 242,373 | $1,240,529 |
| Unexpended Appropriations | $ 982,952 | $ - | $ - | $ 982,952 |
| Cumulative results of operations | 646,735 | 6,358,074 | 153,804 | 7,158,613 |
| Total liabilities and net position | $ 1,954,146 | $ 7,031,771 | $ 396,177 | $ 9,382,094 |
| **Statement of Net Cost for the Period Ended September 30, 2019** | | | | |
| Net cost of operations | $ 681,827 | $ 8,714,838 | $ 1,368,255 | $10,764,920 |
| **Statement of Changes in Net Position for the Period Ended September 30, 2019** | | | | |
| Unexpended Appropriations | | | | |
| Total Unexpended Appropriations | $ 982,952 | $ - | $ - | $ 982,952 |
| Cumulative results from operations | | | | |
| Beginning Balances | 1,311,514 | 6,723,104 | 42,641 | 8,077,259 |
| Appropriations used | 17,048 | - | - | 17,048 |
| Non-exchange revenue | - | 8,349,808 | 1,479,418 | 9,829,226 |
| Net cost of operations | 681,827 | 8,714,838 | 1,368,255 | 10,764,920 |
| Change in net position | (664,779) | (365,030) | 111,163 | (918,646) |
| Cumulative results of operations | 646,735 | 6,358,074 | 153,804 | 7,158,613 |
| Net position | $ 1,629,687 | $ 6,358,074 | $ 153,804 | $ 8,141,565 |

### Note 10 – Funds from Dedicated Collections (continued)

The FY 2020 and FY 2019 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 2020 | | | | | |
| Assets with public | | | | | |
| Accounts Receivable, Net | $ 766,716 | $ 21,834 | $ 788,550 | $ (49) | $ 788,501 |
| Liabilities with public | | | | | |
| Other | $ - | $ 51,428 | $ 51,428 | $ (49) | $ 51,379 |

| | Dedicated Collections Combined | All Other Amounts (with Eliminations) | Total Combined | Consolidating Eliminations Between Dedicated & All Other | Consolidated |
|---|---|---|---|---|---|
| FY 2019 | | | | | |
| Assets with public | | | | | |
| Accounts Receivable, Net | $ 877,660 | $ 16,413 | $ 894,073 | $ (752) | $ 893,321 |
| Liabilities with public | | | | | |
| Other | $ - | $ 42,141 | $ 42,141 | $ (752) | $ 41,389 |

### Note 11 – 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 12 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders totaled $15,823,352 as of September 30, 2020 and $18,045,870 as of September 30, 2019. The following summarizes Undelivered Orders as of September 30, 2020 and 2019:

| 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 – Undelivered Orders at the End of the Period (continued)**

| FY 2019 | Federal | Non-Federal | Total |
|---|---|---|---|
| Undelivered Orders-Unpaid | $ 3.333 | $ 18,028,272 | $ 18,031,605 |
| Undelivered Orders-Paid | 1,241 | 13,024 | 14,265 |
| Total | $ 4.574 | $ 18,041,296 | $ 18,045,870 |

**Note 13 – Permanent Indefinite Appropriations**

The Commission has permanent indefinite appropriations available to fund its universal service programs and Telecommunications Relay Services, 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. For Federal budgetary purposes, these contributions were accounted for as a special fund known as the Universal Service Fund for FY 2019 and prior years. Starting in FY 2020 the TRS is reported separately under its own account.

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 2020 Congress limited the amount of the auction proceeds that may be retained and made available for obligation to $132,539.

**Note 14 – Legal Arrangements Affecting Use of Unobligated Balances**

Offsetting collections received in excess of $339,000 in FY 2020 and FY 2019 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 15 – 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 2019 and the amounts presented in the FY 2021 Budget of the United States Government. The FY 2022 Budget of the United States Government, which will include actual numbers for FY 2020, 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 16 – Custodial Revenues**

In accordance with the provisions of SFFAS 7, *Accounting for Revenue & Other Financing Sources*, the Commission collects non-exchange revenues related to 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. OMB Circular No. A-136, *Financial Reporting Requirements—Revised* indicates that comparative presentation for the prior year is not required in the initial year of implementation. The following table summarizes custodial non-exchange collections for the period ended September 30, 2020. There were no material refunds issued for the period ended September 30, 2020.

| Non-Exchange Revenue | Current Year Collections |
|---|---|
| Fines, penalties and other revenue | $ 63,343 |
| Less: amount collected for non-federal entities | (63,343) |
| Total amount of federal revenues collected | $ - |

Collections for prior periods were not material.

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 M.

**Note 17 – 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, 2020 and 2019.

## Note 17 – Reconciliation of Net Costs to Net Outlays (continued)

| FY 2020 | Intra-governmental | 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 |
| Other assets | 1,622 | 5,000 | 6,622 |
| Investments | - | (675) | (675) |
| **(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 |
| **Other Temporary Timing Differences** | | | |
| **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 – Reconciliation of Net Costs to Net Outlays (continued)

| FY 2019 | Intra-governmental | With the Public | Total |
|---|---|---|---|
| **Net Cost of Operations** | $ 113,310 | $ 10,595,622 | $ 10,708,932 |
| **Components of Net Operating Cost Not Part of the Budgetary Outlays:** | | | |
| Property, plant, and equipment depreciation | - | (23,200) | (23,200) |
| **Increase/(Decrease) in Assets not affecting Budget Outlays:** | | | |
| Accounts receivable | 56 | (3,640) | (3,584) |
| Other assets | (624) | (5,000) | (5,624) |
| Investments | - | (5,214) | (5,214) |
| **(Increase)/Decrease in Liabilities not affecting Budget Outlays:** | | | |
| Accounts payable | 2,379 | (167,160) | (164,781) |
| Salaries and benefits | (613) | (1,602) | (2,215) |
| Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA) | 12 | 36,033 | 36,045 |
| **Other financing sources:** | | | |
| Federal employee retirement benefit costs paid by OPM & imputed to agency | (13,345) | - | (13,345) |
| **Total Components of Net Operating Cost Not Part of the Budget Outlays** | $ (12,135) | $ (169,783) | $ (181,918) |
| **Components of the Budget Outlays That Are Not Part of Net Operating Cost:** | | | |
| Acquisition of capital assets | - | 17,324 | 17,324 |
| Other | (1) | (17,201) | (17,202) |
| **Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost** | $ (1) | $ 123 | $ 122 |
| **Other Temporary Timing Differences** | | | |
| **NET OUTLAYS (Calculated Total)** | $ 101,174 | $ 10,425,962 | $ 10,527,136 |
| **Related Amounts on the Statement of Budgetary Resources** | | | |
| Outlays, net (total) (discretionary and mandatory) | | | $ 10,582,524 |
| Distributed offsetting receipts (-) | | | (55,388) |
| Agency outlays, net (discretionary and mandatory) | | | $ 10,527,136 |

## Note 18 – 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 newly established 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.

**Note 18 – Disclosure Entities (continued)**

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 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.

North American Numbering Plan Administrator (NANPA) Program – The NANPA administers a telephone numbering plan, the North American Numbering Plan, that encompasses 20 countries primarily in Northern America. For the United States only, the program also includes the functions of the Pooling Administrator, which administers pooling of geographic phone numbers in the United States, and the Routing Number Administrator, which administers use of certain special purpose numbers. The NANPA program is funded by fees charged to member countries for its services provided to them. In the United States, the telecommunications service providers directly pay for the NANPA services provided to the United States, per FCC rules. While the FCC requires these costs to be recovered from service providers, the receipts go directly to the Billing and Collection Agent for disbursement to the NANPA and is never included in the Federal budget. The Commission contracts for and exercises oversight over the NANPA, currently Somos, Inc., as well as the Billing and Collection Agent, currently Welch, LLP.

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

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

North American Portability Management, LLC (NAPM) – NAPM is a Delaware limited liability company formed for the purpose of engaging in business activities related to the development and implementation of policies for number portability in seven NPAC regions of the United States. The FCC formed NAPM to procure and manage the LNPA program (FCC 97-289, 12 FCC Rcd 12281).

NAPM is a telephony service provider industry consortium, whose membership is currently comprised of companies from a cross section of the industry representing wireless, wireline, cable, and Voice Over Internet Protocol (VoIP) providers. The purpose of NAPM is to negotiate and manage contracts for the LNPA program, including immediate oversight and management of the LNPA in accordance with the rules and policies of the FCC. NAPM manages the contracts for each of the seven regions with a third-party vendor chosen by NAPM and approved by the FCC to serve as the LNPA. NAPM is funded by fees charged to its members.

**Note 18 – Disclosure Entities (continued)**

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) 47, *Reporting Entity*, the Commission reported USAC and NECA as disclosure entities beginning in FY 2018 and added NANPA program, LNPA program, and NAPM as disclosure entities beginning in FY 2019. None of these disclosure entities substantially meet the requirements to be consolidated entities. As of September 30, 2020, 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, NANPA program, LNPA program, or NAPM. USAC and NECA are all not-for-profit corporations, the NAPM is a Delaware limited liability company, and NANPA and LNPA are programs 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. NANPA program's annual reports are submitted directly to FCC. LNPA program's annual reports are submitted to NAPM, which provides them to the FCC. NAPM does not produce and issue annual reports, however, it provides financial statements to the FCC.

The following summarizes the balances associated with Disclosure Entitles as of September 30, 2020 and 2019.

| FY 2020 | USAC | NECA | Total |
|---|---|---|---|
| **Balance Sheet** | | | |
| Other assets (Note 1 H) | $ 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 |

| FY 2019 | USAC | NECA | Total |
|---|---|---|---|
| **Balance Sheet** | | | |
| Other assets (Note 1 H) | $ 13,024 | $ - | $ 13,024 |
| Accounts payable[1] | 5,632 | 27 | 5,659 |
| **Statement of Net Cost** | | | |
| Net cost of operations[2] | $174,750 | $ 510 | $175,260 |
| **Statement of Changes in Net Position** | | | |
| Net cost of operations[2] | $174,750 | $ 510 | $175,260 |

[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 19 – COVID-19 Activity

Due to the ongoing novel Coronavirus 2019 (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 on June 25, 2020. The COVID-19 Telehealth Program is funded through a $200 million 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. As of July 8, 2020, FCC committed the full $200 million to eligible health care providers and as of September 30, 2020, has expended $52 million of budgetary resources. Also, see Note 1 I and M, and Note 3.

## Note 20 – Subsequent Events

The auction of Priority Access Licenses for the 3550-3650 MHZ Band (Auction 105) concluded on August 25, 2020 with 228 winning bidders for a total of 20,625 licenses. The final payments of winning bids, $1.6 billion, were due October 1, 2020 per Public Notice DA-20-1009A1.

On November 4, 2020, the Commission reached a $200 million settlement in the Sprint Lifeline Investigation with T-Mobile. In addition to the civil monetary penalty, Sprint will enter into a compliance plan to help ensure future adherence to Lifeline program rules.

**Note 21 – Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for FR Compilation Process**

To prepare the Financial Report of the U.S. Government (FR), the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, 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 FR 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 FR line items. A copy of the 2020 FR will be found here: https://www.fiscal.treasury.gov/reports-statements/ as soon as it is released. 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. OMB Circular No. A-136, *Financial Reporting Requirements—Revised* indicates that comparative presentation for the prior year is not required in the initial year of implementation.

**Reclassification of Balance Sheet to Line Items Used for the Government-wide Balance Sheet as of September 30, 2020**

| FY 2020 FCC Balance Sheet | | Line Items Used to Prepare FY 2020 Government-wide Balance Sheet | | | | |
|---|---|---|---|---|---|---|
| **Financial Statement Line** | **Amounts** | **Dedicated Collections Combined** | **All Other Amounts (with Eliminations)** | **Eliminations Between Dedicated & All Other** | **Total** | **Reclassified Financial Statement Line** |
| **ASSETS** | | | | | | **ASSETS** |
| Intragovernmental Assets | | | | | | **Intragovernmental Assets** |
| FBWT | $ 18,787,296 | $ 7,697,076 | $ 11,090,220 | $ - | $ 18,787,296 | FBWT |
| Accounts Receivable | 439 | - | 439 | - | 439 | Accounts Receivable |
| Other Assets | 2,863 | - | 2,863 | - | 2,863 | Other |
| **Total Intragovernmental Assets** | **$ 18,790,598** | **$ 7,697,076** | **$ 11,093,522** | **$ -** | **$ 18,790,598** | **Total Intragovernmental Assets** |
| Accounts Receivable, Net | 788,501 | 766,716 | 21,834 | (49) | 788,501 | Accounts Receivable, Net |
| General PP&E, Net | 79,878 | 16,441 | 63,437 | - | 79,878 | General PP&E, Net |
| Other | 18,024 | 18,024 | - | - | 18,024 | Other |
| **Total Assets** | **$ 19,677,001** | **$ 8,498,257** | **$ 11,178,793** | **$ (49)** | **$ 19,677,001** | **Total Assets** |

## Note 21 – Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position to the Financial Report of the United States Government Format (continued)

## Reclassification of Balance Sheet to Line Items Used for the Government-wide Balance Sheet as of September 30, 2020 (continued)

| FY 2020 FCC Balance Sheet | | Line Items Used to Prepare FY 2020 Government-wide Balance Sheet | | | | |
|---|---|---|---|---|---|---|
| **Financial Statement Line** | **Amounts** | **Dedicated Collections Combined** | **All Other Amounts (with Eliminations)** | **Eliminations Between Dedicated & All Other** | **Total** | **Reclassified Financial Statement Line** |
| **LIABILITIES** | | | | | | **LIABILITIES** |
| **Intragovernmental Liabilities** | | | | | | **Intragovernmental Liabilities** |
| Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets | $ 7,738,740 | $ - | $ 7,738,740 | - | $ 7,738,740 | Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets |
| | - | - | 2,778 | - | 2,778 | Benefit Program Contributions Payable[3] |
| Accounts Payable | 10,525 | - | 10,525 | - | 10,525 | Accounts Payable |
| | - | - | 775 | - | 775 | Other Liabilities (w/o Reciprocals)[3] |
| Other Liabilities[3] | 3,553 | - | - | - | - | Other liabilities |
| **Total Intragovernmental Liabilities** | **$ 7,752,818** | **$ -** | **$ 7,752,818** | **$ -** | **$ 7,752,818** | **Total Intragovernmental Liabilities** |
| Accounts Payable | 827,857 | 788,001 | 39,856 | - | 827,857 | Accounts Payable |
| Federal Employee and Veteran Benefits Payable[3] | 3,019 | 23,400 | 3,019 | - | 26,419 | Federal Employee and Veteran Benefits Payable[3] |
| *Other* | | | | | | *Other* |
| Advances and Deferred Revenue | 2,997,879 | - | - | - | - | |
| Prepaid Contributions | 108,399 | - | - | - | - | |
| Accrued Liabilities for Universal Service | 483,329 | - | - | - | - | |
| Other | 51,379 | 577,227 | 3,040,408 | (49) | 3,617,586 | Other |
| *Total Other*[3] | *3,640,986* | *577,227* | *3,040,408* | *(49)* | *3,617,586* | *Total Other*[3] |
| **Total Liabilities** | **$ 12,224,680** | **$ 1,388,628** | **$ 10,836,101** | **$ (49)** | **$ 12,224,680** | **Total Liabilities** |
| **NET POSITION** | | | | | | **NET POSITION** |
| Unexpended Appropriations – Funds from Dedicated Collections | $ 857,848 | $ 857,848 | $ - | $ - | $ 857,848 | Unexpended Appropriations – Funds from Dedicated Collections |
| Cumulative Results of Operations – Funds from Dedicated Collections | 6,251,781 | 6,251,781 | - | - | 6,251,781 | Cumulative Results of Operations – Funds from Dedicated Collections |
| Unexpended Appropriations – All Other Funds | 150,738 | - | 150,738 | - | 150,738 | Unexpended Appropriations – All Other Funds |
| Cumulative Results of Operations – All Other Funds | 191,954 | - | 191,954 | - | 191,954 | Cumulative Results of Operations – All Other Funds |
| *Total net position - Funds from dedicated collections* | *7,109,629* | *7,109,629* | - | - | *7,109,629* | *Net Position - funds from dedicated collections* |
| *Total net position - All other funds* | *342,692* | - | *342,692* | - | *342,692* | *Net Position - funds other than those from dedicated collections* |
| **Total Net Position** | **$ 7,452,321** | **$ 7,109,629** | **$ 342,692** | **$ -** | **$ 7,452,321** | **Total Net Position** |
| **Total Liabilities & Net Position** | **$ 19,677,001** | **$ 8,498,257** | **$ 11,178,793** | **$ (49)** | **$ 19,677,001** | **Total Liabilities & Net Position** |

[3] These line items do not match the line items in the reclassified financial statements due to a difference in reporting the "Federal Employee and Veteran Benefits", "Benefit program contributions payable" and "Other liabilities (without reciprocals)" and "Other Liabilities" at the agency level and Government-wide level.

## Note 21 – Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position to the Financial Report of the United States Government Format (continued)

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

| FY 2020 FCC Statement of Net Cost | | Line Items Used to Prepare FY 2020 Government-wide SNC | | | |
|---|---|---|---|---|---|
| **Financial Statement Line** | **Amounts** | **Dedicated Collections Combined** | **All Other Amounts (with Eliminations)** | **Total** | **Reclassified Financial Statement 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[4]** | (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** | **$ 10,367,032** | **$ 10,303,597** | **$ 3,280,147** | **$ 13,583,744** | **Net Cost** |
| **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)[4] |
| | - | - | (3,804,173) | (3,804,173) | Reverse Incentive Auction winning bidders[5] |
| **Net Cost of Operations** | **$ 10,367,032** | **$ 10,303,597** | **$ 63,435** | **$ 10,367,032** | **Net Cost of Operations** |

[4] 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 $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.

[5] 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, 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 21 – Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position to the Financial Report of the United States Government Format (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, 2020

| FY 2020 FCC Statement of Changes in Net Position | | Line Items Used to Prepare FY 2020 Government-wide SCNP | | | |
|---|---|---|---|---|---|
| **Financial Statement Line** | **Amounts** | **Dedicated Collections Combined** | **All Other Amounts (with Eliminations)** | **Total** | **Reclassified Financial Statement Line** |
| **UNEXPENDED APPROPRIATIONS** | | | | | |
| Unexpended Appropriations, Beginning Balance | $ 985,768 | $ 8,141,565 | $ 225,714 | $ 8,367,279 | Net Position, Beginning of Period |
| Appropriations Received | 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** | **-** | **-** | **-** | |
| **CUMULATIVE RESULTS OF OPERATIONS** | | | | | |
| Cumulative Results, Beginning Balance | $ 7,381,511 | - | - | - | |
| Other Adjustments: Appropriations Used | 177,182 | 125,104 | 52,078 | 177,182 | Appropriations Expended |
| Non-Exchange Revenues | 9,274,981 | - | - | - | ***Non-Federal Non-Exchange Revenues*** |
| 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) |
| | - | - | 4,327 | 4,327 | Collections Transferred to a TAS Other Than the General Fund of the U.S. Government |
| | - | **-** | ***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 Revenues* |
| ***Other*** | | | | | |
| Imputed Financing | 11,670 | - | 11,670 | 11,670 | Imputed Financing Sources (Federal) |
| | | | | | ***Intragovernmental Other*** |
| 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 of Collections Yet to be Transferred to a TAS Other than 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 |
| *Total Other* | *(7,165,853)* | - | *(7,165,853)* | *(7,165,853)* | *Total Reclassified Other* |
| SCA: Disposition of Collections: Refunds and Other Payments Auctions Salaries & Expenses (FCC)[4] | (132,539) | - | - | - | |
| SCA: Reverse Incentive Auction Winners[5] | (3,084,173) | - | **-** | **-** | |
| **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** | **$ 342,692** | **$ 7,452,321** | **Total Net Position** |

## Required Supplementary Information

**Required Supplementary Information – Schedule of Budgetary Resources by Major Account**
For the Years Ended September 30, 2020 and 2019
(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, TVBRF, USF and TRS. S&E represents general salaries and expenses of the Commission and the COVID-19 Telehealth Program. Auctions include salaries and expenses of the spectrum auctions program. 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, and Schools and Libraries 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 2020 | S&E | Auctions | 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 | $ 621,778 | $ 174,399 | $ 950,723 | $ (2,803,549) | $ 1,787,479 | $ 2,842 | $ 733,672 |
| **Status of Budgetary of Resources:** | | | | | | | |
| New obligations and upward adjustments (total) | $ 588,460 | $ 131,676 | $ 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 | 72,723 | 707,494 | (9,715,020) | 346,172 | 2,842 | (8,582,471) |
| Total status of budgetary resources | $ 621,778 | $ 174,399 | $ 950,723 | $ (2,803,549) | $ 1,787,479 | $ 2,842 | $ 733,672 |
| **Outlays, Net:** | | | | | | | |
| Outlays, net (discretionary and mandatory) | $ 60,863 | $ (7,835) | $ 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) | $ 32,457 | $ (7,835) | $ 543,036 | $ 8,249,044 | $ 1,422,439 | $ (2) | $ 10,242,139 |

**Required Supplementary Information – Schedule of Budgetary Resources by Major Account (continued)**

| FY 2019 | S&E | Auctions | TVBRF | USF | TRS | Other | Total |
|---|---|---|---|---|---|---|---|
| **Budgetary Resources:** | | | | | | | |
| Unobligated balance from prior year budget authority, net | $ 87,470 | $ 40,028 | $ 642,269 | $ (5,402,835) | $ 163,218 | $ 2,838 | $ (4,467,012) |
| Appropriations (discretionary and mandatory) | - | - | 400,000 | 8,251,548 | 1,504,566 | - | 10,156,114 |
| Spending authority from offsetting collections (discretionary and mandatory) | 340,183 | 130,284 | - | - | - | 5 | 470,472 |
| Total budgetary resources | $ 427,653 | $ 170,312 | $ 1,042,269 | $ 2,848,713 | $ 1,667,784 | $ 2,843 | $ 6,159,574 |
| **Status of Budgetary of Resources**: | | | | | | | |
| New obligations and upward adjustments (total) | $ 397,747 | $ 131,809 | $ 125,463 | $ 14,222,956 | $ 1,369,754 | $ 4 | $ 16,199,733 |
| Unobligated balance, end of year: | | | | | | | |
| Apportioned, unexpired accounts | 73,846 | 32,348 | 897,685 | - | 298,030 | 2,816 | 1,304,725 |
| Exempt from apportionment, unexpired accounts | - | - | - | (11,374,243) | - | - | (11,374,243) |
| Unapportioned, unexpired accounts | 3,818 | 6,155 | 19,121 | - | - | 23 | 29,117 |
| Unexpired unobligated balance, end of year | 77,664 | 38,503 | 916,806 | (11,374,243) | 298,030 | 2,839 | (10,040,401) |
| Expired unobligated balance, end of year | 242 | - | - | - | - | - | 242 |
| Unobligated balance, end of year (total) | 77,906 | 38,503 | 916,806 | (11,374,243) | 298,030 | 2,839 | (10,040,159) |
| Total status of budgetary resources | $ 427,653 | $ 70,312 | $ 1,042,269 | $ 2,848,713 | $ 1,667,784 | $ 2,843 | $ 6,159,574 |
| **Outlays, Net:** | | | | | | | |
| Outlays, net (discretionary and mandatory) | $ (26,887) | $ (19,602) | $ 580,229 | $ 8,682,566 | $ 1,366,224 | $ (5) | $ 10,582,525 |
| Distributed offsetting receipts (-) | (23,929) | - | - | (26,590) | (4,869) | - | (55,388) |
| Agency outlays, net (discretionary and mandatory) | $ (50,816) | $ (19,602) | $ 580,229 | $ 8,655,976 | $ 1,361,355 | $ (5) | $ 10,527,137 |

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