Universal Service
Administrative Co.

2021
ANNUAL REPORT

MISSION

Ensuring that all people in the United States have access to quality, affordable connectivity services.

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MESSAGE FROM THE BOARD CHAIR

2021 was a year of resilience and triumph. Although the COVID-19 pandemic remained, our mission to provide telecommunications services to families, medical facilities, schools, libraries, and Tribal nations continued with great stride and promise.

USAC rose to new heights to fulfill its mission of universal service. Despite barriers, USAC maintained its efforts to provide necessary internet and broadband services across America. USAC remained focused during the pandemic, and used its efforts to help support the Affordable Connectivity Program, COVID-19 Telehealth Program, Emergency Broadband Benefit Program, and the Emergency Connectivity Fund Program, all while steadily maintaining organizational needs—a great job well done.

We also want to extend a great thanks to the vendors that continued to support USAC this year—they are a part of the broader USAC family, and our success is not possible without them.

Finally, the Board is grateful to the Federal Communications Commission (FCC) and its staff for their remarkable efforts and support this year—with the creation of the Congressional Response Programs and their day-to-day operational support, the FCC's partnership remains critical in maintaining universal service.

We are grateful for another remarkable year and appreciate all who made this possible.

Joe Gillan
USAC Board Chair

2021 YEAR IN REVIEW

2021 was a dynamic year for the Universal Service Administrative Company (USAC) that brought immense change and additional responsibility to the organization. The ongoing COVID-19 pandemic expanded the impact of current Universal Service Fund (USF) programs and underscored the need for universal service to underserved communities.

For the first time in its history, USAC expanded beyond administering the four universal service programs: E-Rate, High Cost (Connect America Fund), Lifeline, and Rural Health Care. In 2021, USAC rose to the challenge and successfully administered four FCC initiatives, collectively known as the Congressional Response Programs. While this was far from a simple feat, USAC is proud of the effort, the execution, and ultimately the success of the programs, which served those most in need, alongside the universal service programs.

Supporting USAC's Mission

The USF mission to "help communities and people across the U.S. stay connected to the information, resources, and care they need" is the cornerstone of USAC's work. Successfully administering the four universal service programs—while providing support to our stakeholders and safeguarding the integrity of the fund—is paramount to delivering on that mission every day. This year, USAC had the opportunity to expand upon this mission as it took on the role of administrator for the Congressional

Response Programs. These FCC initiatives, funded by the Coronavirus Aid, Relief, Economic Security (CARES) Act; the Infrastructure, Investment, and Jobs Act; and the Consolidated Appropriations Act, were developed to deliver telecommunications service and devices to those across the nation who were most affected by COVID-19, including healthcare facilities offering telehealth services, schools and libraries, and low-income households.

The Universal Service Programs: A 2021 Snapshot

The concept of universal service is to expand broadband access across the United States to help communities learn, access health care, and connect to the people and services they need every day. USAC supports this at the infrastructure, community, and individual levels, through the four universal service programs. In 2021, USAC committed to making the stakeholder experience as efficient as possible for all eligible program participants, while reducing the negative effects of program waste, fraud, and abuse.

The E-Rate program continues to see year-over-year growth. E-Rate processed 19,723 applications, 54 percent of total applications, within 30 days of the window closing. This year, the focus of the E-Rate program has been the prevention of waste, fraud, and abuse. As USAC's E-Rate team increased the speed and accuracy of its application reviews, completing 95.7 percent of

all reviews by September 1 and committing $2.1 billion, USAC also implemented data analytics-based program integrity checks prior to commitment of the funds—an approach recommended by Government Accountability Office (GAO).

The High Cost program undertook efforts to ensure service providers are meeting the obligations of different funds so communities receive access to broadband services. USAC built the eligible locations adjustment process (ELAP) system that allows carriers to request modifications to the deployment obligations through a challenge process with stakeholders in target areas. Through High Cost's performance measures process, speed and latency tests for 481 study areas confirmed that carriers are delivering on their service commitments. Finally, USAC piloted a first-of-its-kind GAO fraud risk framework, which led to the development of detailed program integrity assessment procedures for Legacy funds and career compliance audit options for modernized funds.

The Lifeline program served millions of subscribers, helping to offset the cost of internet service for low-income households. To make sure the service only benefits eligible subscribers, Lifeline continued to strengthen the National Verifier eligibility system, bringing the number of database connections for the program to 25. As a result, the system can automatically verify the eligibility of more than 60 percent of Lifeline applicants, which decreases

2021 YEAR IN REVIEW

the number of manual reviews, thus reducing the cost of operations. USAC continued to collaborate with the states (California, Texas, and Oregon) that manage the Lifeline program (known as opt-out states) to share program data using the National Lifeline Accountability Database. This has yielded a substantial reduction in manual interventions.

In 2021, the Rural Health Care (RHC) team launched modernization efforts for the Healthcare Connect Fund application process, which had been a manually-intense process since its inception. The Healthcare Connect Fund stakeholder community embraced and appreciated the seamless transition and application submission numbers are on track. In addition, by collaborating with a business processing outsourcing vendor, the RHC team accomplished, for the first time in the history of the program, processing 95 percent of 2021 applications in the same fund year. As a part of the USAC program integrity efforts, the RHC program introduced exception-based invoice reviews, which prevented over $513K in improper payments and identified more than $3.9M in invoices that needed revisions before they could be reimbursed. Lastly, to foster communication with stakeholders, USAC established a CEO's roundtable forum for the program participants to share their experiences.

This year, USAC adopted a new approach to sharing data with our stakeholders to offer an easier to use and more streamlined experience. We launched a new and improved Open Data website, which includes not just the raw datasets, but also new and easy to use data search tools. Our more technical audience is still able to interact directly with the data and other stakeholders. This new approach has also allowed us to retire a variety of legacy tools. Most importantly, our new tools meet accessibility standards and comply with data security standards.

Taking Care of USAC Staff

In 2021, the health and safety of USAC's workforce remained top of mind. Our staff and contractors continued full-time telework throughout the year. A team of IT, human resources, and facilities staff managed COVID-19 protocols for the essential staff who continued to work in person. These protocols included ensuring frequent office cleanings, preparing the office for eventual end of telework, and complying with Centers for Disease Control and District of Columbia regulations.

USAC leadership made special efforts to keep our teams connected, informed, and motivated during the challenges of remote work. Between town halls, division meetings, and a biweekly newsletter, USAC teams shared resources, news, and updates on the changing landscape.

USAC Chief Financial Officer, Michelle Garber, summed up these efforts, "The most important thing was to turn on the video! Seeing each other's faces and reactions in real time reminded us that we're in this together, and brought the human element back to an otherwise fully digital work environment. We also maintained a good cadence of teambuilding activities, giving team members a chance to showcase their skills at escaping a virtual room or playing movie trivia. I think we overall learned a greater sense of empathy for one another and what we were going through. As one leader in our division stated, it's as though being apart somehow increased our team engagement."

Conclusion

USAC experienced a truly exceptional year in 2021. USAC rose to the challenge of delivering high-quality programs to our stakeholders, creating innovative solutions that protect our program integrity, and launching new FCC initiatives to ensure that our communities can access the high-quality broadband services they need to survive and thrive.

Radha Sekar
Chief Executive Officer
Universal Service Administrative Company, Washington, DC
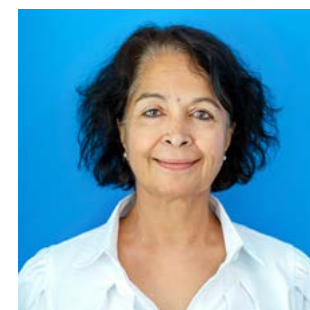
2022 VISION

As we welcome 2022, USAC hopes for pandemic-related concerns to lessen, allowing our staff to return to in-person work safely.

The work we do to administer the Universal Service Fund (USF) will remain at the forefront of our mission, and we strive to improve the experience for all program participants. The 2022 E-Rate application window will expand eligibility for Tribal library participants, and USAC will implement changes to create a more seamless application and invoicing process for participants. Investments from the FCC will bring additional digital opportunities for High Cost participants, including the Rural Digital Opportunity Fund and the 5G Fund for Rural America. USAC will continue modernization efforts in the High Cost and Rural Health Care programs, using robotic process automation to increase program integrity, reduce manual processing, and create more efficient business practices. The Lifeline program will work to expand program participation among eligible households, ensuring that low-income consumers will have the opportunity to receive broadband service and internet-connected devices.

Throughout 2022, USAC will administer the Affordable Connectivity Program, pursuant to the January 2022 Report and Order, to help connect low-income households to additional broadband support and the computers and tablets they need to access this critical technology.

On the enterprise side, USAC maintains its commitment to continuous improvement. This year, we plan to implement an organization-wide customer relationship management tool. This effort will create an opportunity to track and improve our connections with stakeholders and better understand the needs of the communities we serve. The ongoing Enterprise Resource Planning efforts will create a more seamless integration of USF financials and foster a more agile and efficient organization. USAC will sustain program integrity efforts by institutionalizing the GAO Fraud Risk Framework for all of the USF programs.

As we look to 2022, USAC recognizes the tremendous opportunity to expand broadband service to underserved communities, fulfilling our organization's mission. This is only possible due to our dedicated staff who remain our most valuable asset. We are excited to see what we will build—together—this year.

UNIVERSAL SERVICE PROGRAMS

UNIVERSAL SERVICE FUND (USF) DISBURSEMENT AUTHORIZED SUPPORT*

The USF Disbursement Authorized Support chart details trends in authorized program support over the past three years.

PROGRAMS	2021	2020	2019
E-RATE	$ 2,156,276,742.64	$ 2,095,330,431.34	$ 1,980,178,200.34
HIGH COST	$ 5,116,919,883.91	$ 5,063,288,454.30	$ 5,091,691,304.99
LIFELINE	$ 723,769,574.00	$ 853,660,290.00	$ 981,731,241.48
RHC	$ 556,600,323.52	$ 297,920,410.39	$ 251,023,946.07
TOTAL	**$ 8,553,566,524.07**	**$ 8,310,199,586.03**	**$ 8,304,624,692.88**

*Authorized Support includes all funding approved for disbursement for the above calendar years including funding approved but not yet disbursed (due to the Red Light Rule, etc.). It does not include recoveries from audits, appeals, or other enforcement actions.

STATEMENT OF OPERATIONS AND EXPENSE TRENDS

OPERATING EXPENSES PRELIMINARY ACTUALS

	2021	2020	2019
E-Rate BPO Expenses	$16,918,889	$14,168,838	$16,424,105
Lifeline BPO and Other Support Expenses	$31,756,004	$11,446,435	$8,762,697
High Cost Data Collection and Verification Expenses	$392,003	$334,824	$522,872
Operations and Maintenance Expenses	$8,977,930	$7,803,235	$7,831,604
Personnel and Related Expenses	$96,852,539	$93,589,205	$82,310,613
Contract Labor Expenses	$17,056,610	$18,680,304	$16,137,441
Computer Support and Hardware Expenses	$19,332,263	$16,094,636	$14,859,455
Professional Fees Expenses	$40,535,785	$20,422,042	$19,200,173
Office and Colocation Rent Expenses	$7,631,374	$7,719,393	$7,939,233
Tax Expenses	$313,702	$619,937	$119,170
Other General and Administrative Expenses	$3,103,133	$2,307,769	$3,326,996
Depreciation and Amortization Expenses	$9,065,646	$11,292,430	$16,107,371
Total	**$251,935,879**	**$204,479,047**	**$193,541,732**

The table on the left outlines the expenses related to performing the administrative functions of the USF. The expenses are broken out by major category and material increases or decreases in categories from previous years are detailed below.

Program Expenses
USAC's involvement in the Congressional Response Programs increased cost and operation expenses. Since its launch, the Emergency Broadband Benefit Program increased Business Process Outsourcing (BPO) expenses by $18.5M. The Emergency Connectivity Fund Program also increased BPO expenses by $3M.

Professional Expenses
Computer support and maintenance expenses increased by $3.2M, of which $1.5M was related to the Congressional Response Programs. Congressional Response Program work for PMO services and IT professional services increased overall professional fees by $14.4M and $3.3M, respectively.

Corporate Expenses
The personnel expenses increase was driven by the annual merit increase.

NOTE: DECEMBER 31, 2021 FINANCIAL STATEMENT MAY CHANGE AFTER THE COMPLETION OF THE 2021 FINANCIAL STATEMENT AUDIT IN MID APRIL 2022.

2021 CONGRESSIONAL RESPONSE PROGRAMS EXPENSES

BELOW ARE THE SUBSET OF ANNUAL OPERATING EXPENSES ASSOCIATED WITH THE CONGRESSIONAL RESPONSE PROGRAMS.

	Congressional Response Programs				
Expense Type	**Affordable Connectivity Program**	**COVID-19 Telehealth Program**	**Emergency Broadband Benefit Program**	**Emergency Connectivity Fund Program**	**Grand Total**
Personnel and Related Expenses	$87,138.14	$347,292.36	$2,321,502.86	$1,311,281.75	$4,067,215.11
BPO and Other Support			$18,641,253.90	$3,040,870.93	$21,682,124.83
Call Center Support	$607,290.98			$1,353,293.00	$1,960,583.98
Computer Support and Hardware	$7,130.07		$384,923.14	$1,091,650.61	$1,483,703.82
Contract Labor	$8,338.06	$53,016.08	$605,623.45	$330,536.21	$997,513.80
Operations & Maintenance	$463,398.97		$1,065,872.57		$1,529,271.54
Professional Fees		$5,425,537.24	$6,822,928.06	$5,417,617.79	$17,666,083.09
Common Allocated Expenses		$196,686.12	$540,223.03	$426,517.21	$1,163,426.36
Other General and Administrative Expenses		$6,164.28	$103,627.00		$109,791.28
Grand Total	**$1,173,296.22**	**$6,028,696.08**	**$30,485,954.01**	**$12,971,767.50**	**$50,659,713.81**

2021 IN NUMBERS

125,440

Schools and Libraries Received E-Rate Supported Services

11,119

Participating HCPs Receiving Commitments

5.6 Million

Individual Locations Built with CAF Funding

$719,249,030

Lifeline Dollars Claimed as of March 1, 2022

E-Rate Program

E-Rate ensures that schools and libraries across the U.S. are connected to information and resources through the internet.

E-RATE PROGRAM

The E-Rate program helps U.S. schools and libraries obtain affordable high-speed internet access and telecommunications services. This year, USAC enhanced its online training and updated program resources for participants to offer quality support across our website.

HIGHLIGHTS

Schools and Libraries

The E-Rate program continued to help participants experiencing hardship during the ongoing COVID-19 pandemic, providing support for reliable broadband to schools and libraries across the country. E-Rate approved funding for equipment and services for over 125,000 recipients of service in 2021, which included more than 98,000 schools, 15,000 school facilities, and 11,000 libraries.

E-Rate Program Operations

E-Rate successfully processed over 35,900 applications for Funding Year (FY) 2021, requesting $3.1 billion and committed $2.52 billion. Over $2.2 billion was also disbursed in E-Rate support, which reduced the number of backlogged cases across all operational areas, including invoicing and appeals. E-Rate successfully deployed multi-factor authentication (MFA) in July to enhance security features for E-Rate online systems and implemented various FCC rule changes and waiver-related relief measures for various E-Rate forms and deadlines including those for participants impacted by Hurricane Ida in September.

E-Rate created new content and updated webpages regarding how to access forms using MFA, FY 2022 FCC Form 470 changes, and Category Two (C2) budget changes for FY 2021. A new E-Rate invoicing dataset and Entity Search Tool was created to assist applicants and service providers using this data.

Outreach and Training

E-Rate's annual training was conducted entirely online for the second year during the ongoing COVID-19 pandemic. Session topics included pre- and post-commitment processes, C2 budgets, eligible services, and more. With USAC's Tribal Liaison, we also conducted virtual training specifically for Tribal applicants to help them learn about the program and apply for funding. Over 8,900 attendees participated in our training sessions in 2021, and attendance for the basic E-Rate overview session increased by 94 percent over 2020 for attendees with one year or less of E-Rate experience.

LOOKING TOWARD 2022

To prepare for the FY 2022 application window, E-Rate successfully deployed the FCC Form 470 in July, incorporating enhancements gathered from external users. These included statements to help clarify the various dropdown options used to request bids for eligible services and equipment. We will continue to provide important E-Rate program information via our website, monthly news briefs, and online training materials to ensure that E-Rate program participants have the tools they need to request and receive this critical funding.

High Cost Program

High Cost expands networks in underserved areas so that all people in the U.S. have access to affordable voice and broadband.

HIGH COST PROGRAM

In 2021, the High Cost program continued to finance the expansion of advanced communications networks to deliver voice and broadband service in unserved and underserved areas to close the digital divide in rural America. Through more than 15 separate funds, the High Cost program disbursed approximately $5 billion to carriers to support infrastructure investments and ongoing operations to ensure that communications services and rates are reasonably comparable in rural and urban communities. To safeguard program accountability, transparency, and integrity, the High Cost program closely monitored carrier compliance with broadband build-out obligations that come with USF support.

HIGHLIGHTS

Disbursed Support for Modernized Funds

The High Cost program continued to transition from legacy funds that subsidize voice service and calculate support based on carrier costs, to modernized funds that give carriers set payments determined by cost models and competitive bidding to deploy broadband to a certain number of locations at defined speeds. These modernized funds – which make up the Connect America Fund (CAF) program – include CAF Phase II Model, CAF Phase II Auction, Alternative Connect America Model (ACAM), Rural Broadband Experiments (RBE), and Bringing Puerto Rico Together and Connect USVI Fund (PR/USVI Fund).

Tracked Broadband Deployment

The High Cost program tracked CAF-supported deployment through the High Cost Broadband (HUBB) portal. As of December 31, 2021, carriers submitted data in the HUBB portal for more than 5.6 million locations built with CAF funding, including more than 1.8 million with broadband speeds of at least 25 megabits per second downstream and three megabits per second upstream (25/3 Mbps).

Verified Deployment

The High Cost program verified deployment to a random sample of locations certified in the HUBB portal to confirm that carriers are in fact building out broadband as reported and meeting mandatory deployment milestones. In 2021, the High Cost program verified deployment to more than 10,000 CAF Phase II Model, Alaska Communications (ACS), CAF II Auction, and RBE locations.

Measured Network Performance

The High Cost program continued to phase in a performance measurement framework that requires carriers to conduct speed and latency testing at a random sample of broadband subscriber locations. This deployed with USF support to ensure that rural communities have access to high-quality networks.

LOOKING TOWARD 2022

The High Cost program will implement the Rural Digital Opportunity Fund (RDOF) and the 5G Fund for Rural America, which will invest billions of dollars in fixed and mobile broadband.

Lifeline Program

Lifeline is a federal program that offers a monthly benefit of up to $9.25 toward phone or internet services for eligible consumers (and up to $34.25 monthly for those living on Tribal lands).

LIFELINE PROGRAM

The Lifeline program supports telecommunications companies that offer discounted phone and broadband services to eligible consumers. In 2021, the Lifeline program continued to provide enhanced customer service, engaged in new outreach initiatives, and offered more support to our stakeholders.

HIGHLIGHTS

Website and Application Support

This year, the Lifeline program revamped the LifelineSupport.org website to allow for better user accessibility and more efficient navigation. These enhancements provide users with even more seamless access to the resources they need to apply for Lifeline. The available resources included new and improved training modules and webinars, English and Spanish translated applications, toolkits, and details about the Tribal Benefit.

508 Compliance

Ensuring 508 Compliance across the LifelineSupport.org website, including in videos and webinars, is a priority for the Lifeline program. Closed captioning is now available across all of the Lifeline program training materials and live webinars to ensure accessibility for all. It's important that these materials and resources are accessible to all stakeholders, and the Lifeline program will continue to make this a top priority.

Stakeholder Resources

This year, the Lifeline program held 20 webinars with over 3,600 attendees in total. Topics included training on how to use Lifeline systems, system enhancements, and more. The Lifeline program also hosted Tribal and consumer advocate training. The Lifeline program introduced quarterly Tribal webinars, distributed a quarterly newsletter for state and federal partners, and enhanced educational materials, including a Service Provider Toolkit to help new stakeholders navigate the Lifeline program.

Eligibility Database Connections

In 2021, the Lifeline program continued to prioritize maintaining and developing new eligibility database connections to the National Lifeline Eligibility Verifier (National Verifier) database. Through these connections, consumer eligibility is automatically verified, eliminating the need for consumers to provide manual eligibility documentation. This process increased program integrity, reduced consumer burden, and decreased administrative costs. In 2021, the Lifeline program added one new eligibility database connection and maintained 24 existing connections, which resulted in the automated eligibility verification of over 67 percent of Lifeline applications. The Lifeline program also extended its focus on 508 Compliance to the Computer Matching Agreements that support the eligibility database connections, ensuring that all interested stakeholders are able to access these agreements on the FCC and USAC website privacy pages.

LOOKING TOWARD 2022

In 2022, the Lifeline program will continue to educate targeted stakeholders with a focus on increasing program awareness among eligible Lifeline populations. Focused efforts to increase program awareness include: collecting and assessing stakeholder feedback semiannually and creating responsive educational materials; implementing strategic outreach efforts to consumer advocacy groups, social service agencies, and state partners to increase program knowledge; and continuing to improve the user experience associated with Lifeline systems. The Lifeline program will also continue to work toward establishing connections with other state and federal partners to further expand the number of applications that can be automatically verified through the National Verifier.

Rural Health Care Program

Rural Health Care supports healthcare facilities to bring world-class medical care to rural areas through increased connectivity.

RURAL HEALTH CARE PROGRAM

The Rural Health Care (RHC) program, which consists of the Telecommunications (Telecom) and Healthcare Connect Fund (HCF) programs, provides funding to eligible healthcare providers to subsidize the cost of broadband and telecommunications services necessary for the provision of healthcare. Support from the RHC program enhances the quality of care available to patients in rural communities by ensuring that eligible providers have access to telecommunications and broadband services.

HIGHLIGHTS

FCC Orders

Recognizing the public health crisis resulting from the COVID-19 pandemic, the FCC directed USAC to implement a series of FCC waivers of RHC program rules and requirements. For example, in April, the FCC released Order DA 21-394 allowing extensions of program deadlines and extended the time to respond to Information Requests. As directed by the FCC, USAC carried over unused funds from prior funding years to raise the funding cap to $612 million for FY2021.

System Modernization

USAC launched the first phase of system modernization prior to the opening of the FY2022 filing window for funding requests in the HCF Program. The new platform—which is the web-based system used to host program forms—is easier to navigate and will allow USAC's RHC program reviewers to process funding requests more efficiently. Modernization work will continue throughout 2022 for the HCF and Telecom programs.

Applications and Customer Support

RHC collaborated with a business-processing vendor to process FY2020 and 2021 funding requests. As a result, decisions were delivered much sooner than in prior years. The RHC program issued FY2021 funding commitments in July, the earliest rollout of commitments since the implementation of filing windows in the program. In addition, RHC created new self-paced training modules, hosted "Office Hours" webinars for live application support, introduced virtual applicant training, and hosted 16 webinars.

Virtual Site Visits

In prior years, USAC staff traveled to attend conferences and visit program participants in person. These visits let staff see how participants benefit from the RHC program. Since staff were unable to travel to health care provider sites due to pandemic restrictions, USAC hosted four virtual site visits. This initiative personalized the daily work of USAC staff and encouraged relationship building between USAC staff and program participants.

LOOKING TOWARD 2022

The RHC program will continue to provide applicant support, including conducting robust virtual applicant trainings in preparation for the FY2022 filing window, developing resources for system modernization, and conducting multi-track trainings for HCF and Telecom program applicants.

USAC CONTRACTORS RECEIVING GREATER THAN $1 MILLION

CONTRACTOR/VENDOR	TYPES OF GOODS/SERVICES	PROCUREMENT METHOD
MAXIMUS Federal Services, Inc.	E-rate Operational Support Services	Competitive
NTCA Group Health Program	Employee Benefits	Competitive
Conduent State & Local Solutions	Lifeline National Verifier Business Process Outsourcing Services	Competitive
Cigna Healthcare	Employee Benefits	Competitive
Jamestown Premier One Metro Center Corp	Office Lease	Competitive
Appian Corporation	Appian Operations, Maintenance, and Cloud Services	Competitive
Ampcus Inc.	IT Staff Augmentation Services	Competitive
Accenture Federal Services LLC	Lifeline National Verifier Eligibility Database System	Competitive
Incentive Technology Group, LLC	EPC Consulting and IT Implemenation Services; RHC Forms Processing	Competitive
Addison Group	IT Staff Augmentation Services	Competitive
Grant Thornton Public Sector LLC	IT Professional Services, Risk Assessments, Program Advisory Services	Competitive
Clearpath Solutions Group LLC	IT Software Solutions	Competitive
AXELLIANT, LLC	IT Software Solutions	Competitive
Oracle America, Inc.	IT Software Solutions	Noncompetitive
KPMG LLP	Audit Services/IT Security Services	Competitive
ManpowerGroup Public Sector Inc	IT Staff Augmentation Services	Competitive
Insight	IT Software Solutions	Competitive
PricewaterhouseCoopers LLP	Financial Statement Audit and Agreed Upon Procedure Review	Competitive
Ernst & Young, LLP	Program Management Office Services, Program Customer Support Center Services	Competitive
Smart Synergies, Inc	IT Staff Augmentation Services	Competitive

KEY

Dollar Range:

☐ > $5M

▨ $2-5M

▨ $1-2M

In 2021, USAC engaged 20 contractors receiving payments greater than $1 million. USAC follows competitive procurement procedures for any procurement that exceeds the $10,000 micro-purchase threshold. Any non-competitive procurement that exceeds the $10,000 micro-purchase threshold must be reported to the FCC and USAC's Board of Directors annually in a Competition Advocate report. The chart details USAC's 2021 contractors receiving payments of $1 million or greater. All contractors receiving payments greater than $1 million have been assessed and their work has been deemed to be satisfactory or better.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Universal Service Administrative Company:

Report on the Financial Statements

We have audited the accompanying financial statements of Universal Service Administrative Company (the "Company"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of operations and change in net assets without restrictions, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements inaccordance 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 our 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, we consider internal control relevant to the Company'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 Company'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 the Company as of December 31, 2020 and 2019, and the results of its operations and change in net assets without restrictions and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued a report dated June 8, 2021 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Company's internal control over financial reporting and compliance and other matters.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Arlington, Virginia
June 8, 2021

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QUARTERLY BREAKDOWN OF RECEIPTS AND OUTLAYS FOR THE 2019-2021 CALENDAR YEARS

PROGRAMS	DETAILS	1Q21	2Q21	3Q21	4Q21	TOTAL
USF	TOTAL Receipts from Operations	$2,374,550,040.02	$2,447,035,035.81	$2,256,185,400.31	$2,199,619,952.70	**$9,277,390,428.84**
E-RATE	Disbursements from Operations	($509,529,944.39)	($497,509,048.92)	($542,790,020.63)	($571,104,432.40)	**($2,120,933,446.35)**
	Administrative Transfers	($17,845,825.81)	($16,591,219.05)	($18,607,136.53)	($14,327,522.76)	**($67,371,704.15)**
HIGH COST	Disbursements from Operations	($1,272,729,920.50)	($1,254,570,655.06)	($1,281,434,418.16)	($1,309,368,861.63)	**($5,118,103,855.36)**
	Administrative Transfers	($14,300,982.36)	($14,610,361.80)	($13,992,579.52)	($11,420,549.04)	**($54,324,472.72)**
LIFELINE	Disbursements from Operations	($247,531,663.56)	($212,383,999.71)	($123,761,507.43)	($136,755,699.11)	**($720,432,869.82)**
	Administrative Transfers	($14,423,311.39)	($12,720,302.49)	($12,436,926.94)	($13,794,416.02)	**($53,374,956.84)**
RHC	Disbursements from Operations	($229,587,327.33)	($55,629,516.49)	($165,419,931.13)	($101,883,996.07)	**($552,520,771.02)**
	Administrative Transfers	($5,129,325.77)	($4,938,451.91)	($4,912,090.05)	($5,894,718.27)	**($20,874,586.00)**
CCPP	Disbursements from Operations	($38.61)	($106.61)	($451.19)	($3.64)	**($600.05)**
	Administrative Transfers	($10,328.48)	($22,858.26)	($16,491.12)	($12,043.75)	**($61,721.61)**
TOTAL	TOTAL Disbursements from Operations	($2,259,378,894.40)	($2,020,093,326.80)	($2,113,406,328.54)	($2,119,112,992.85)	**($8,511,991,542.59)**
	TOTAL Administrative Transfers[1]	($51,709,773.81)	($48,883,193.51)	($49,965,224.16)	($45,449,249.84)	**($196,007,441.32)**

PROGRAMS	DETAILS	1Q20	2Q20	3Q20	4Q20	TOTAL
USF	TOTAL Receipts from Operations	$2,022,811,132.11	$1,832,290,067.44	$1,894,453,475.57	$2,111,856,718.80	**$7,861,411,393.92**
E-RATE	Disbursements from Operations	($483,568,656.13)	($510,865,378.08)	($556,913,595.09)	($504,746,838.49)	**($2,056,094,467.79)**
	Administrative Transfers	($18,568,968.97)	($15,331,823.27)	($21,556,323.65)	($15,378,600.19)	**($70,835,716.08)**
HIGH COST	Disbursements from Operations	($1,269,158,407.09)	($1,250,553,204.75)	($1,267,535,113.27)	($1,278,645,066.71)	**($5,065,891,791.82)**
	Administrative Transfers	($11,432,551.97)	($14,022,127.65)	($14,182,919.07)	($13,207,611.95)	**($52,845,210.64)**
LIFELINE	Disbursements from Operations	($199,166,935.46)	($205,951,636.82)	($216,525,391.96)	($232,851,923.33)	**($854,495,887.57)**
	Administrative Transfers	($12,114,352.36)	($13,749,349.04)	($14,663,627.24)	($11,111,290.47)	**($51,638,619.11)**
RHC	Disbursements from Operations	($31,005,934.76)	($62,066,529.24)	($103,178,955.40)	($92,775,266.08)	**($289,026,685.47)**
	Administrative Transfers	($4,098,284.28)	($4,695,374.37)	($5,264,692.23)	($4,383,581.63)	**($18,441,932.51)**
TOTAL	TOTAL Disbursements from Operations	($1,982,899,933.44)	($2,029,436,748.89)	($2,144,153,055.71)	($2,109,019,094.61)	**($8,265,508,832.65)**
	TOTAL Administrative Transfers[1]	($46,214,157.57)	($47,798,674.33)	($55,667,562.19)	($44,081,084.24)	**($193,761,478.33)**

PROGRAMS	DETAILS	1Q19	2Q19	3Q19	4Q19	TOTAL
USF	TOTAL Receipts from Operations	$2,049,827,570.29	$1,964,211,010.44	$2,164,980,169.38	$2,210,526,129.19	**$8,389,544,879.30**
E-RATE	Disbursements from Operations	($394,769,190.33)	($471,079,025.69)	($585,346,940.49)	($513,367,386.02)	**($1,964,562,542.53)**
	Administrative Transfers	($19,976,443.58)	($21,954,343.97)	($24,931,526.87)	($20,449,138.21)	**($87,311,452.62)**
HIGH COST	Disbursements from Operations	($1,143,936,590.97)	($1,333,176,226.27)	($1,327,619,526.67)	($1,284,927,756.59)	**($5,089,660,100.50)**
	Administrative Transfers	($15,520,441.83)	($11,231,009.13)	($10,748,477.86)	($11,431,664.32)	**($48,931,593.14)**
LIFELINE	Disbursements from Operations	($270,212,372.03)	($254,100,299.09)	($242,948,438.30)	($47,081,355.96)	**($814,342,465.38)**
	Administrative Transfers	($8,156,360.84)	($10,430,832.47)	($13,224,184.59)	($10,601,052.23)	**($42,412,430.13)**
RHC	Disbursements from Operations	($36,885,196.43)	($52,537,331.64)	($107,591,374.68)	($51,781,547.14)	**($248,795,449.90)**
	Administrative Transfers	($2,143,277.31)	($3,124,138.36)	($3,404,266.20)	($3,234,012.45)	**($11,905,694.32)**
TOTAL	TOTAL Disbursements from Operations	($1,845,803,349.76)	($2,110,892,882.68)	($2,263,506,280.14)	($1,897,158,045.72)	**($8,117,360,558.30)**
	TOTAL Administrative Transfers[1]	($45,796,523.56)	($46,740,323.92)	($52,308,455.52)	($45,715,867.21)	**($190,561,170.21)**

[1]Administrative transfers represent actual funds transferred from USF to USAC in support of administrative costs. Administrative transfers and administrave expense may differ due to timing between when expense is recognized vs the actual transfer of cash.

MONTHLY BREAK DOWN OF RECEIPTS AND OUTLAYS FOR THE 2021 CALENDAR YEAR

PROGRAMS	DETAILS	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	TOTAL
USF	TOTAL Receipts from Operations	$729,072,023.15	$645,717,593.62	$648,021,515.34	$650,214,368.33	$593,170,935.89	$588,904,763.22	$596,627,190.79	$669,021,660.22	$628,804,624.56	$655,866,892.21	$716,155,552.15	$739,834,274.44	$7,861,411,393.92
E-RATE	Disbursements from Operations	($170,037,822.61)	($179,996,899.15)	($140,697,944.55)	($167,733,558.00)	($184,678,046.11)	($158,453,773.97)	($176,710,098.38)	($166,458,082.75)	($213,745,413.95)	($202,546,997.00)	($166,794,225.50)	($135,405,615.99)	$2,056,094,467.79)
E-RATE	Administrative Transfers	($7,164,010.18)	($6,260,829.73)	($5,144,129.05)	($7,040,956.77)	($5,110,523.94)	($3,180,342.56)	($7,513,914.89)	($10,326,991.63)	($3,715,417.13)	($5,067,558.92)	($4,444,878.97)	($5,866,162.30)	($70,835,716.08)
HIGH COST	Disbursements from Operations	($437,482,153.25)	($415,167,982.04)	($416,508,271.81)	($418,068,135.20)	($416,184,747.15)	($416,300,322.40)	($417,477,889.99)	($422,295,455.87)	($427,761,767.40)	($414,226,477.91)	($436,036,378.01)	($428,382,210.79)	($5,065,891,791.82)
HIGH COST	Administrative Transfers	($4,488,138.46)	($2,437,072.78)	($4,507,340.73)	($5,926,894.97)	($5,052,310.84)	($3,042,921.84)	($4,643,437.80)	($6,557,540.17)	($2,981,941.10)	($4,310,954.01)	($4,673,597.12)	($4,223,060.82)	($52,845,210.64)
LIFELINE	Disbursements from Operations	($70,217,327.91)	($66,154,283.05)	($62,795,324.50)	($67,761,964.21)	($67,114,805.47)	($71,074,867.14)	($68,140,875.92)	($71,292,724.12)	($77,091,791.92)	($76,380,403.11)	($77,229,505.16)	($79,242,015.06)	($854,495,887.57)
LIFELINE	Administrative Transfers	($4,520,515.87)	($3,090,798.19)	($4,503,038.30)	($4,693,668.84)	($5,380,275.81)	($3,675,404.39)	($4,473,680.91)	($5,829,347.24)	($4,360,599.09)	($3,458,462.96)	($3,933,799.41)	($3,719,028.10)	($51,638,619.11)
RHC	Disbursements from Operations	($9,552,790.58)	($4,197,884.33)	($17,255,259.85)	($17,247,599.25)	($15,168,429.91)	($29,650,500.08)	($34,570,338.38)	($38,368,640.51)	($30,239,976.50)	($31,750,096.13)	($29,788,674.97)	($31,236,494.98)	($289,026,685.47)
RHC	Administrative Transfers	($1,521,534.06)	($1,120,779.44)	($1,455,970.78)	($1,886,330.01)	($1,640,916.30)	($1,168,128.06)	($1,907,766.71)	($2,134,227.84)	($1,222,697.68)	($1,460,121.36)	($1,468,024.67)	($1,455,435.60)	($18,441,932.51)
CCPP	Disbursements from Operations	-	-	($38.61)	($11.88)	($94.15)	($0.59)	-	($374.98)	($76.21)	($3.64)	-	-	($600.05)
CCPP	Administrative Transfers	-	($4,800.00)	($5,528.48)	($13,066.80)	($5,303.11)	($4,488.35)	($5,057.02)	($6,778.66)	($4,655.44)	($4,339.61)	($3,400.15)	($4,303.99)	($61,721.61)
TOTAL	TOTAL Disbursements from Operations	($784,238,756.75)	($728,351,700.24)	($746,788,437.41)	($658,554,899.70)	($650,377,702.19)	($711,160,724.91)	($646,490,487.59)	($717,886,291.63)	($749,029,549.32)	($727,528,378.28)	($751,869,988.46)	($639,714,626.11)	($8,511,991,542.59)
TOTAL	TOTAL Administrative Transfers[1]	($19,947,882.56)	($15,965,469.02)	($15,796,422.23)	($19,899,476.88)	($14,697,993.66)	($14,285,722.97)	($18,657,889.68)	($17,994,508.94)	($13,312,825.54)	($14,313,072.08)	($11,886,067.44)	($19,250,110.32)	($196,007,441.32)

[1]Administrative transfers represent actual funds transferred from USF to USAC in support of administrative costs.
Administrative transfers and administrative expense may differ due to timing between when expense is recognized vs the actual transfer of cash.