2022 | ANNUAL REPORT

Universal Service Administrative Co.

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

As the country grappled with the lasting effects of the COVID-19 pandemic in 2022, the need for all Americans to have affordable, reliable access to telecommunications services became clear.

Providing these services through the administration of the Universal Service Fund has always been USAC's mission. In 2022, the USF system was significantly augmented by Congressional Response Programs—most notably the Affordable Connectivity Program and the Emergency Connectivity Fund Program—that the FCC asked that USAC assist implementing. After yet another successful year on all accounts, we can proudly say that USAC has risen to the challenge.

We appreciate the FCC for trusting in our organization's ability to accomplish its mission no matter the avenue. We also thank the many FCC staff who worked closely with USAC's leaders to guide our efforts.

Of course, leadership alone wasn't responsible for the success. Hundreds of employees and contractors built and maintained these critical programs one task, one project, and one initiative at a time. We owe our organization's successes to their work and sacrifice.

I speak for the entire USAC board in thanking them all.

Joseph Gillan

Joe Gillan
USAC Board Chair
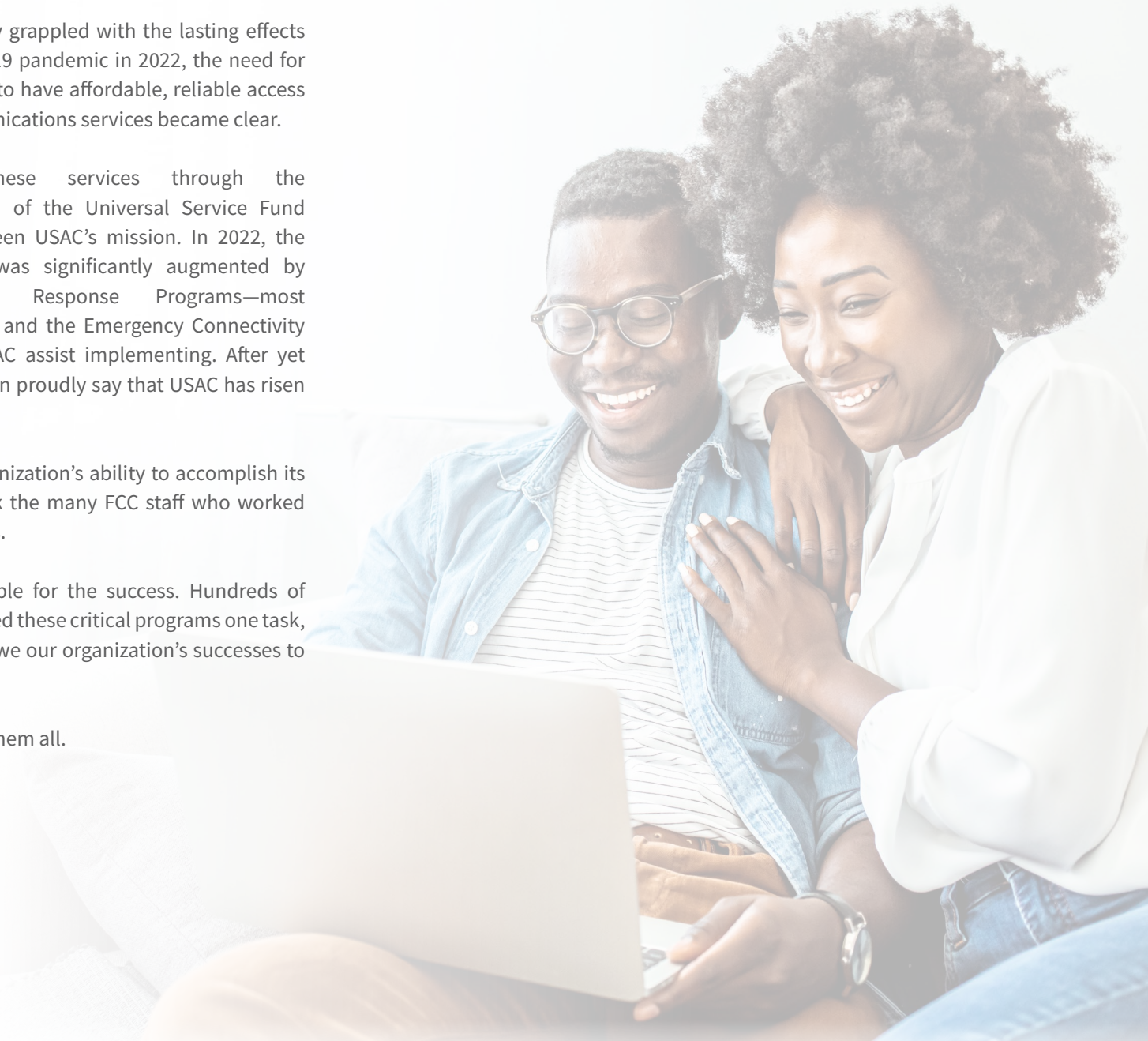
2022 YEAR IN REVIEW

In 2022 USAC experienced a dynamic year, full of opportunities to deliver on the mission of universal service and rise to meet the challenges we faced. USAC sharpened our focus on continuous improvement, implementing tools and process changes that increase the efficiency of our program administration, create better stakeholder experiences, and protect the integrity of the Universal Service Fund.

Supporting FCC Initiatives

On behalf of the Federal Communications Commission (FCC), USAC continued our work administering the COVID-19 Congressional Response Programs.

Affordable Connectivity Program

To start the year, USAC launched the Affordable Connectivity Program (ACP), a longer-term program that provides discounted broadband service to low-income households. The ACP launch coincided with sunsetting the Emergency Broadband Benefit Program and transitioning eligible consumers and broadband companies to the ACP. In 2022, ACP supported more than 15.4 million eligible households with funding and handled 4.4 million customer service calls about the program.

Emergency Connectivity Fund

USAC continued to successfully administer the Emergency Connectivity Fund (ECF) Program, providing discounted broadband service and equipment to keep eligible schools and libraries connected throughout the COVID-19 health emergency, distributing more than $2.4 billion to 7,648 schools and school districts and 629 libraries and library systems. USAC supported ECF participants through the invoicing process, managing more than 14,000 customer service calls.

Delivering on the Mission of Universal Service

High Cost

The High Cost program (which includes the Connect America Fund) distributed more than $4 billion in funds to service providers bringing high speed connections to underserved communities through 16 active funds.

The program completed 780 modernized site visits to verify broadband deployment, speed and latency performance, ensuring that Connect America Fund resources are reaching the communities that need support.

The High Cost program conducted a fraud risk assessment to address the GAO recommendation to USAC and FCC that stemmed from the GAO's review of USAC's fraud risk management activities in the High Cost program. USAC hired Grant Thornton Public Sector LLP ("Grant Thornton" now Guidehouse) to conduct an independent fraud risk assessment of the High Cost program to identify program fraud risks and vulnerabilities and develop risk responses and recommendations to enhance program controls.

E-Rate

In 2022, the E-Rate (Schools and Libraries) program supported connectivity services and equipment for more than 128,500 schools, school facilities, and libraries, disbursing $2.08 billion in funds. The program undertook a fraud risk mitigation strategy that institutionalizes data-driven controls.

Lifeline

The Lifeline program saw significant growth in 2022, driven largely by households that participated in ACP learning they were also eligible for Lifeline and enrolling in the program. In 2022, USAC saw nearly 7.5 million low-income households participate in Lifeline, providing discounted broadband service to support them as they connect with their family, jobs, and services.

This growth meant the Lifeline team handled increased volumes of customer service calls (2.3 million calls) and applications to review (more than 5.2 million applications), all while maintaining our service standards.

USAC undertook significant efforts to reduce the risk of bad actors in the Lifeline arena, including unauthorized Lifeline "agents."

Rural Health Care

The Rural Health Care program grew significantly in 2022, committing $273,778,057 in Healthcare Connect Fund (HCF) Program and $223,780,311 in Telecommunications Program funds to more than 14,000 health care providers (HCPs).

2022 YEAR IN REVIEW

By working closely with the RHC Feedback Group, the program gathered real time information from stakeholders that informed program changes moving forward.

By implementing selective reviews, USAC mitigated the fraud risks for the RHC program.

Modernizing the Enterprise to Achieve Efficiencies

In 2022, USAC undertook modernization efforts across the organization, aimed at increasing efficiencies, upgrading aging systems, reducing risk, and improving stakeholder experience for USF participants.

In the Connect America Fund program, USAC implemented Robotic Process Automation that will replace highly manual program verification processes and enabling geographic information (GIS) capabilities to implement updates to the Connect America Fund mapping tool and administer an effective Eligible Location Adjustment Process (ELAP).

The E-Rate program launched efforts to improve the experience for applicants and service providers by initiating the E-Rate IT legacy system migration. This overhaul will transition E-Rate's invoicing process into the E-Rate Productivity Center (EPC) as well as bring legacy E-Rate forms into EPC. This move has significant user benefits, allowing E-Rate participants to complete all program actions in a single system and creating a single source for current and past years' E-Rate forms.

The Rural Health Care program modernized the program by fully transitioning the HCF Program from My Portal to the RHC Connect system. RHC Connect allows program participants to complete all forms within the system, making program processes easier to navigate and streamlined for stakeholders. This transition contributed to the RHC program awarding 95 percent of program applications within the fund year – the first time this accomplishment was achieved.

USAC launched our customer relationship management (CRM) tool for the High Cost, Lifeline and Rural Health Care programs and the Finance division. The CRM allows USAC to better track customer service cases across the enterprise, ensuring robust customer support and the ability to identify and address concerns early. The CRM delivers both a better customer service experience and real time feedback to USAC program staff, building stronger program experiences for all USF participants.

To mitigate risk, fraud, and abuse, USAC stood up the Fraud Risk Group to continuously monitor USF program systems. The organization also instituted circle of life reviews to continuously improve USF program administration by implementing corrective actions recommended from 80 Beneficiary and Contributor Audit Program (BCAP) audits and 631 Payment Quality Assurance (PQA) audits.

Conclusion

In 2022, USAC experienced an excellent year, deeply focused on delivering high-quality programs to our stakeholders and continuously improving our administration of those program. USAC staff returned to the office following the extended COVID-19 related telework period, re-energizing our teams, and infusing our work with a renewed sense of purpose and collaboration. Bringing USAC's staff back for in-person work provided opportunities for innovative solutions that ensure we can deliver the USF and Congressional Response Programs efficiently, creating positive stakeholder experiences and maintaining the integrity of funds.

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

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	2022	2021	2020
E-RATE	$2,083,893,272.72	$2,156,276,742.64	$2,095,330,431.34
HIGH COST	$4,249,188,202.17	$5,116,919,883.91	$5,063,288,454.30
LIFELINE	$609,934,746.00	$723,769,574.00	$297,920,410.39
RHC	$496,883,491.37	$556,600,323.52	$ 251,023,946.07
TOTAL	$7,439,899,712.26	$8,553,566,524.07	$8,310,199,586.03

*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

	2022	2021	2020
E-Rate BPO Expenses	$16,104,177	$16,918,888	$14,168,838
Lifeline BPO and Other Support Expenses	$29,446,186	$31,756,004	$11,446,435
High Cost Data Collection and Verification Expenses	$357,627	$392,003	$334,824
Operations and Maintenance Expenses	$12,122,564	$8,977,930	$7,803,235
Personnel and Related Expenses	$93,804,863	$96,762,939	$93,589,205
Contract Labor Expenses	$11,330,592	$17,056,610	$18,680,304
Computer Support and Hardware Expenses	$24,689,707	$19,332,263	$16,094,636
Professional Fees Expenses	$120,095,322	$40,535,785	$20,422,042
Office and Colocation Rent Expenses	$7,395,718	$7,492,460	$7,719,393
Tax Expenses	$176,946	$173,101	$619,937
Other General and Administrative Expenses	$6,389,633	$3,103,133	$2,307,769
Depreciation and Amortization Expenses	$6,311,033	$9,065,646	$11,292,430
Total	**$328,224,370**	**$251,566,761**	**$204,479,047**

NOTE: DECEMBER 31, 2022 FINANCIAL STATEMENT MAY CHANGE AFTER THE COMPLETION OF THE 2022 FINANCIAL STATEMENT AUDIT IN MID APRIL 2023.

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 with highlighted details included below.

Program Expenses
The Affordable Connectivity Program's (ACP) operations and maintenance expenses increased by $2.1M in 2022, and both ACP's and the Emergency Connectivity Fund Program's Business Process Outsourcing (BPO) expenses rose by $1.6M and $3M, respectively. These BPO increases were offset by a $3.9M decrease in Lifeline's BPO expenses, and amortization of several Lifeline assets in 2022 resulted in the $2.1M decrease of amortization expenses.

Professional Expenses
ACP and Lifeline call center support expenses increased by $45.2M and $14.3M, respectively. Program integrity initiatives led to a $5.7M increase in Beneficiary and Contributor audit expenses, though there was a $2M decrease in contract labor expenses. Fewer system improvement initiatives in 2022 further decreased contract labor expenses by $3.3M, though computer support expenses increased by $4.9M.

Corporate Expenses
Decreased healthcare premium costs lowered personnel expenses by $1.9M. Postage costs for ACP and Lifeline ($2.3M and $1.1M, respectively) drove the increase in administrative expenses.

2022 CONGRESSIONAL RESPONSE PROGRAMS EXPENSES

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

	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	$3,568,237.40	$39,113.97	$57,874.67	$386,588.77	$4,051,814.81
BPO and Other Support	$19,947,235.63		$274,463.32	$2,505,454.62	$22,727,153.57
Call Center Support	$45,823,610.96			$2,137,918.55	$47,961,529.51
Computer Support and Hardware	$932,306.25			$1,538,729.67	$2,471,035.92
Contract Labor	$257,727.38	(41,452.67)	$2,355.60	$92,384.73	$311,015.04
Operations & Maintenance	$3,635,366.36		(19,180.89)	$376,205.60	$3,992,391.07
Professional Fees	$5,638,655.83	$292,728.39	$145,943.91	$11,952,441.62	$18,029,769.75
Common Allocated Expenses	$876,858.03			$601,274.06	$1,478,132.09
Other General and Administrative Expenses	$2,401,602.32	$2,739.72			$2,404,342.04
Grand Total	**$83,081,600.16**	**$293,129.41**	**$461,456.61**	**$19,590,997.62**	**$103,427,183.80**

2022 IN NUMBERS

130,521

Schools and Libraries Received E-Rate Supported Services

12,238

Participating HCPs Received Commitments

6.4 Million

Individual Locations Built with CAF Funding

7,426,390

Subscribers Participated in Lifeline as of January 1, 2023

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

E-Rate Program Operations

E-Rate improved the efficiency of Funding Year (FY) 2022 application processing to better serve over 128,500 schools, school facilities, and libraries receiving E-Rate funding in 2022. E-Rate reached a 97.6 percent completion rate by September 1 for workable applications—the highest yet. E-Rate processed over 35,400 FY2022 applications requesting $3.08 billion, committed $2.81 billion, and disbursed $2.08 billion in 2022.

Systems and Reporting

USAC took steps to develop systems and reports to improve the E-Rate experience. The Customer Service Center used a new dashboard to close aging cases resulting in an 80 percent reduction in unresolved cases by year end. E-Rate also used Federal Emergency Management Agency (FEMA) data to create a map and report following Hurricanes Fiona and Ian. These resources will better manage relief granted to applicants in areas impacted by these and future disasters and relief granted by FCC Orders. E-Rate initiated a project to integrate the invoicing and post-commitment functions into EPC, giving users a single platform on which to conduct all E-Rate transactions.

Outreach and Training

E-Rate conducted the annual Fall trainings online, holding webinars and "Office Hours" sessions on topics such as the pre-commitment process, Category Two budgets, and the EPC administrative window. Over 4,700 participants attended these trainings in addition to Office Hours sessions throughout the year. Office Hours webinars allow participants to ask E-Rate experts specific questions about program processes, best practices, and program rules.

Additionally, E-Rate conducted outreach for a newly launched FCC Tribal Library Pilot Program to provide one-on-one assistance to this applicant segment in FY2023. USAC hosted a series of E-Rate Tribal trainings with USAC's Tribal Liaison ahead of the launch and USAC staff attended Tribal conferences and events to build awareness and interest in the FY2023 program.

LOOKING TOWARD 2023

E-Rate will focus on the completion of the systems consolidation effort, including developing supporting procedures and external training materials. E-Rate operations will continue to focus on implementing process efficiencies, faster processing of program transactions, and reducing inventories.

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 2022, High Cost advanced its mission of bringing essential telecommunications services to rural America and funding the expansion of high-speed networks in communities that might otherwise be left behind in the digital age. The program paid carriers over $4 billion to offer affordable, reliable voice and broadband service in rural areas where the market alone cannot support the cost of deploying network infrastructure and providing connectivity.

HIGHLIGHTS

Transition to Modernized Funds

While High Cost has historically subsidized voice service to ensure universal access to phone lines through legacy funds that calculate payments based on carrier costs, High Cost is transitioning to broadband support through the Connect America Fund (CAF). This program comprises nearly a dozen modernized funds that use competitive bidding and models to give carriers fixed payments to deploy and maintain networks with certain speeds over clear timelines to required location counts in unserved and underserved areas. Modernized programs include the Rural Digital Opportunity Fund (RDOF), CAF Phase II Model and Auction, Original and Revised Alternative Connect America Cost Model (ACAM), ACAM II, and Rural Broadband Experiments (RBE).

Tracking Broadband Deployment

To safeguard program integrity, accountability, and transparency, High Cost closely monitors carrier compliance with deployment obligations. Carriers must submit data that shows where they are providing high-speed Internet service,

by latitude and longitude, using CAF support. As of September 30, 2022, carriers had reported deployment to nearly 6.4 million locations, including more than 710,000 locations with speeds of a gigabit or better.

Confirming Broadband Deployment

To confirm that carriers are building out services at required speeds by relevant deadlines, High Cost conducts in-depth verification reviews at a random sample of eligible locations reported to USAC. In 2022, High Cost verified deployment to approximately 10,000 locations certified by carriers participating in funds including RDOF, CAF II Auction, Original and Revised ACAM, and RBE.

Measuring Network Performance

High Cost is expanding performance measures testing to ensure that CAF-subsidized broadband service meets speed and latency standards for rural communities to access high-quality networks. Carriers must conduct speed and latency testing at a random sample of locations with active subscribers on a quarterly basis and submit the results to USAC. Original and Revised ACAM, ACAM II and CAF II Auction were among the funds that held tests in 2022.

LOOKING TOWARD 2023

High Cost is administering additional modernized funds, including a program to restore, expand and upgrade fixed and mobile networks across Puerto Rico and the U.S. Virgin Islands.

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 provides discounted phone and broadband services to eligible consumers. In 2022, the Lifeline program focused on increasing program awareness among eligible Lifeline populations through stakeholder feedback collection, new strategic outreach efforts, and customer-focused system enhancements.

HIGHLIGHTS

Resuming Recertification

Recertification is an annual requirement to ensure that Lifeline subscribers are active. In 2022, after the FCC had paused recertification requirements for more than two years due to the COVID-19 pandemic, the recertification process resumed for non-Tribal stakeholders. Lifeline reinitiated automated eligibility database checks and began sending up to 13,000 recertification notices per day to subscribers who failed the automated check. To ease the readjustment period, Lifeline also hosted a recertification overview training for over 450 attendees.

Eligibility Database Connections

In 2022, the Lifeline program continued to increase its number of National Lifeline Eligibility Verifier (National Verifier) database connections, adding a new state connection with Connecticut and a federal connection with the US Department of Veterans' Affairs. These database connections allow automatic verification to replace manual document submission for a roughly two-thirds of all program applicants, greatly improving program integrity while simultaneously reducing consumer burden and administrative costs. In 2022, the Lifeline program maintained a total of 24 state and federal connections.

Stakeholder Resources

Lifeline kept stakeholders informed through monthly general webinars, quarterly Tribal webinars, and several targeted newsletters. Lifeline's 2022 website and application enhancements included releasing an improved mobile format of the Companies Near Me tool that assists consumers in identifying Lifeline-participating service providers in their area. Following the recommendations of the Government Accountability Office, Lifeline also transitioned the Lifeline consumer website and the National Verifier portal to ".gov" domains.

Customer Service

This year, Lifeline undertook multiple projects to better serve Lifeline stakeholders through improving the efficiency of the Lifeline Support Center. In addition to training programs to improve call center metrics, Lifeline obtained feedback from external business process outsourcing (BPO) vendors to improve the Knowledge Base, Lifeline's internal database of program information that call center agents use to accurately respond to consumers.

LOOKING TOWARD 2023

In 2023, the Lifeline program will continue to offer more to support our stakeholders through providing enhanced customer service, engaging in new outreach initiatives, and establishing connections with new state and federal partners.

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 healthcare providers have access to telecommunications and broadband services.

HIGHLIGHTS

FCC Orders

In response to the continued public health crisis, resulting from the COVID-19 pandemic and numerous natural disasters, the FCC directed USAC to implement a series of waivers of program rules and requirements. In September, the FCC released orders waiving certain rules and deadlines for those in areas affected by Hurricane Fiona and Ian. In addition, as directed by the FCC, USAC carried over unused funds from prior funding years to raise the funding cap for FY2022.

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 first phase included launching RHC Connect, the web-based system used to host program forms. The updated system is easier for external stakeholders to navigate and allows RHC program reviewers to process funding requests more efficiently. Modernization work will continue throughout FY2023 for the HCF and Telecom programs.

Applications and Customer Support

RHC held 30 webinars in 2022, including webinars for relevant program topics and timely "Office Hours" for live application support. User guides and training modules were posted to the website to assist applicants with the move to RHC Connect. In addition, RHC used targeted emails, newsletters, and consistent website updates to keep program participants informed. Due to multiple innovations and efficiencies, funding decisions were delivered earlier in the funding year than ever before. In addition to processing applications and providing customer support for the RHC programs, the RHC team was directed by the FCC to administer the Connected Care Pilot Program (CCPP). RHC continues to process CCPP forms and provide resources to assist CCPP projects with the application process.

Virtual Site Visits

RHC continued hosting virtual site visits in FY2022. 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. This initiative personalizes the daily work of USAC staff and encourages relationship building between USAC staff and program participants.

LOOKING TOWARD 2023

The RHC program will continue to provide applicant support, including conducting robust virtual applicant and service provider trainings, developing resources for the continuing system automation, 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.	Program Operational Support Services	Competitive
Conduent State & Local Solutions	Program Call Center Services	Competitive
Ernst & Young, LLP	Program Call Center Services, and Project Management Office Services	Competitive
NTCA Group Health Program	Employee Benefits	Competitive
Deloitte Consulting LLP	Program Project Management Office Services	Competitive
Cigna Healthcare	Employee Benefits	Competitive
Accenture Federal Services LLC	National Verifier Eligibility Database, Web Application Support	Competitive
Incentive Technology Group, LLC	EPC Consulting and IT Implemenation Services; Program Forms Processing	Competitive
Jamestown Premier One Metro Center Corp	Office Lease	Competitive
KPMG LLP	Audit Services/IT Security Services	Competitive
Grant Thornton Public Sector LLC DBA Guidehouse	Program Email Services; IT Professional Services, Risk Assessments; Program Advisory Services	Competitive
Appian Corporation	Appian Operations, Maintenance, and Cloud Services	Competitive
Ampcus Inc.	IT Staff Augmentation Services; Document Redaction Tool	Competitive
USPS EPS - ALL ACCOUNTS	Postage Account for USAC and USF	Noncompetitive
Oracle America, Inc.	IT Software Solution	Noncompetitive
CliftonLarsonAllen LLP	Audit Services	Competitive
ManpowerGroup Public Sector Inc	IT Staff Augmentation Services	Competitive
Cotton & Company Assurance & Advisory LLC	Audit Services	Competitive
Addison Group	IT Staff Augmentation Services	Competitive
Microsoft Licensing, GP	IT Software Solution	Competitive
Trans Union LLC	Program Third Party Identification and Verification Services	Competitive
VIVA USA Inc.	IT Staff Augmentation Services	Competitive
The Guardian Life Insurance Company of America	Employee Benefits	Competitive
Sun Management, Inc.	IT Software Solution	Competitive
PricewaterhouseCoopers LLP	Financial Statement Audit and Agreed Upon Procedure Review	Competitive
ICF Incorporated, LLC	IT Development and Operations; Maintenance Services	Competitive

In 2022, USAC engaged 26 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 2022 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.

KEY

Dollar Range:

☐ > $5M

⬜ $2-5M

⬜ $1-2M

REPORT OF INDEPENDENT AUDITORS

Report on Audit of 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, 2021 and 2020, and the related statements of operations and change in net assets without restrictions, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the changes in its 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2021.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with US GAAS and Government Auditing Standards, we:
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we also have issued a report dated June 24, 2022 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 for the year ended December 31, 2021. 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
Washington, District of Columbia
June 24, 2022

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QUARTERLY BREAKDOWN OF RECEIPTS AND OUTLAYS FOR THE 2020-2022 CALENDAR YEARS

PROGRAMS	DETAILS	1Q22	2Q22	3Q22	4Q22	TOTAL
USF	TOTAL Receipts from Operations	1,971,470,704.24	1,738,036,729.44	1,787,026,432.67	1,887,115,229.76	7,383,649,096.11
E-RATE	Disbursements from Operations	(506,903,214.84)	(440,157,329.60)	(571,225,962.87)	(554,403,305.62)	(2,072,689,812.93)
E-RATE	Administrative Transfers	(15,512,811.26)	(20,993,232.66)	(18,838,285.41)	(18,676,307.81)	(74,020,637.14)
HIGH COST	Disbursements from Operations	(1,100,567,224.32)	(1,013,518,721.79)	(1,051,362,209.58)	(1,084,036,324.27)	(4,249,484,479.96)
HIGH COST	Administrative Transfers	(13,573,432.12)	(17,158,769.32)	(15,680,501.51)	(16,305,721.95)	(62,718,424.90)
LIFELINE	Disbursements from Operations	(166,225,436.70)	(116,032,743.73)	(152,466,032.94)	(167,049,716.11)	(601,773,929.47)
LIFELINE	Administrative Transfers	(13,717,813.07)	(19,370,959.58)	(18,088,102.95)	(22,252,316.18)	(73,429,191.78)
RHC	Disbursements from Operations	(134,955,920.76)	(107,863,476.16)	(121,724,458.23)	(123,667,347.93)	(488,211,203.08)
RHC	Administrative Transfers	(6,401,633.87)	(6,370,764.66)	(6,002,730.61)	(8,100,095.49)	(26,875,224.63)
CCPP	Disbursements from Operations	(342.27)	(564,965.46)	(572,782.96)	(2,020,575.21)	(3,158,665.90)
CCPP	Administrative Transfers	(31,529.53)	(65,137.11)	(56,864.39)	(54,120.28)	(207,651.31)
TOTAL	TOTAL Disbursements from Operations	(1,908,652,138.89)	(1,678,137,236.74)	(1,897,351,446.58)	(1,931,177,269.13)	(7,415,318,091.34)
TOTAL	TOTAL Administrative Transfers[1]	(49,237,219.85)	(63,958,863.33)	(58,666,484.87)	(65,388,561.71)	(237,251,129.76)

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)
E-RATE	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)
HIGH COST	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)
LIFELINE	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)
RHC	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)
CCPP	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	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)
E-RATE	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)
HIGH COST	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)
LIFELINE	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)
RHC	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	TOTAL Administrative Transfers[1]	(46,214,157.57)	(47,798,674.33)	(55,667,562.19)	(44,081,084.24)	(193,761,478.33)

[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 2022 CALENDAR YEAR

PROGRAMS	DETAILS	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	TOTAL
USF	TOTAL Receipts from Operations	729,887,354.55	619,087,904.56	622,495,445.13	619,259,896.84	558,728,713.58	560,048,119.03	564,570,895.65	617,058,019.33	605,397,517.69	605,103,101.44	636,350,926.95	645,661,201.37	7,383,649,096.11
E-RATE	Disbursements from Operations	(194,818,011.38)	(164,122,137.25)	(147,963,066.21)	(164,645,452.07)	(141,851,923.63)	(133,659,953.90)	(180,737,000.05)	(228,685,024.74)	(161,803,938.07)	(233,308,281.57)	(160,151,343.42)	(160,943,680.63)	(2,072,689,812.93)
	Administrative Transfers	(6,328,607.58)	(5,094,803.31)	(4,089,400.37)	(6,397,574.42)	(8,932,296.28)	(5,663,361.96)	(8,092,454.35)	(4,167,209.54)	(6,578,621.52)	(6,721,145.85)	(6,054,613.08)	(5,900,548.88)	(74,020,637.14)
HIGH COST	Disbursements from Operations	(445,690,076.20)	(312,483,345.02)	(342,393,803.10)	(333,465,148.75)	(340,100,490.57)	(339,953,082.47)	(342,533,463.82)	(352,426,929.79)	(356,401,815.98)	(361,069,792.92)	(361,372,972.90)	(361,593,558.46)	(4,249,484,479.96)
	Administrative Transfers	(6,407,468.59)	(3,127,895.91)	(4,038,067.62)	(7,090,099.71)	(3,856,206.05)	(6,212,463.56)	(4,479,845.88)	(4,471,761.32)	(6,728,894.31)	(5,627,492.30)	(5,362,689.80)	(5,315,539.85)	(62,718,424.90)
LIFELINE	Disbursements from Operations	(78,057,878.46)	(21,210,592.46)	(66,956,965.78)	(29,670,617.03)	(28,628,285.65)	(57,733,841.04)	(90,722,939.60)	(30,484,764.19)	(31,258,329.15)	(60,931,354.43)	(38,708,391.38)	(67,409,970.30)	(601,773,929.47)
	Administrative Transfers	(5,049,175.07)	(5,539,063.67)	(3,129,574.33)	(8,502,784.17)	(4,365,374.85)	(6,502,800.56)	(7,060,987.72)	(4,333,110.77)	(6,694,004.46)	(9,792,584.85)	(7,115,042.65)	(5,344,688.68)	(73,429,191.78)
RHC	Disbursements from Operations	(42,553,406.46)	(53,933,775.17)	(38,468,739.14)	(29,861,669.19)	(47,146,154.02)	(30,855,652.95)	(13,550,320.21)	(71,173,939.51)	(37,000,198.51)	(33,217,351.97)	(46,184,274.37)	(44,265,721.58)	(488,211,203.08)
	Administrative Transfers	(2,296,621.89)	(1,657,848.51)	(2,447,163.47)	(2,355,026.15)	(1,647,371.00)	(2,368,367.51)	(2,162,115.07)	(1,528,683.62)	(2,311,931.92)	(2,312,258.55)	(3,015,061.21)	(2,772,775.73)	(26,875,224.63)
CCPP	Disbursements from Operations	(10.66)	(93.15)	(238.46)	-	(564,960.87)	(4.59)	(1,302.85)	(544,114.83)	(27,365.28)	(35.54)	(1,929,717.30)	(90,822.36)	(3,158,665.90)
	Administrative Transfers	(7,925.01)	(10,055.12)	(13,549.40)	(30,795.36)	(10,901.72)	(23,440.03)	(12,030.53)	(13,693.07)	(31,140.79)	(21,070.39)	(14,473.93)	(18,575.96)	(207,651.31)
TOTAL	TOTAL Disbursements from Operations	(761,119,383.16)	(551,749,943.04)	(595,782,812.69)	(557,642,887.04)	(558,291,814.74)	(562,202,534.96)	(627,545,026.53)	(683,314,773.06)	(586,491,646.99)	(688,526,816.43)	(608,346,699.37)	(634,303,753.33)	(7,415,318,091.34)
	TOTAL Administrative Transfers[1]	(20,089,798.14)	(15,429,666.52)	(13,717,755.19)	(24,376,279.81)	(18,812,149.90)	(20,770,433.62)	(21,807,433.55)	(14,514,458.32)	(22,344,593.00)	(24,474,551.94)	(21,561,880.67)	(19,352,129.10)	(237,251,129.76)

[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.