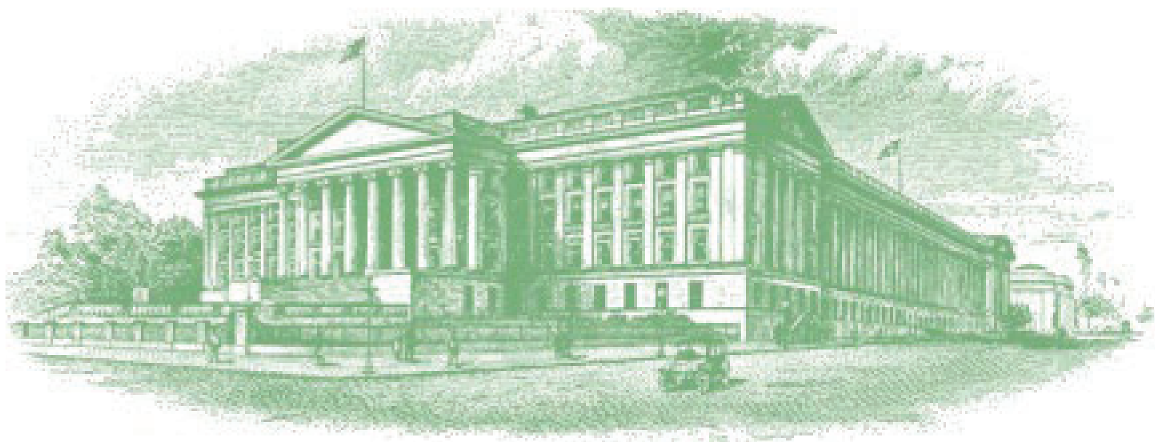
Audit Report



OIG-25-020

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2024 and 2023

December 18, 2024

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

December 18, 2024

**MEMORANDUM FOR PRAVINA RAGHAVAN, DIRECTOR
COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND**

FROM: Shiela Michel /s/
Acting Director, Financial Statement Audits

SUBJECT: Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2024 and 2023

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2024 and 2023, and for the years then ended. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements,* and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual.*

In its audit of the CDFI Fund, KPMG found

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no deficiencies in internal control over financial reporting that are considered material weaknesses; and
- no instances of reportable noncompliance with laws, regulations, and contracts tested.

In connection with the contract, we reviewed KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on CDFI Fund's financial statements or conclusions on the effectiveness of internal control or compliance with laws and regulations.

KPMG is responsible for the attached auditors’ report dated December 18, 2024, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 486-1415, or a member of your staff may contact Felicia Silver, Acting Manager, Financial Statement Audits, at (771) 210-6004.

Attachment

AGENCY FINANCIAL REPORT
FISCAL YEAR 2024

Community Development Financial Institutions Fund
U.S. Department of the Treasury

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Notes:

Capitalized terms used but not defined in this document have the meanings as defined in the Community Development Financial Institutions Fund's authorizing statute, applicable program regulations, or applicable notice of availability.

Numerals with decimal units are shown to one decimal place and are rounded to the nearest tenth. For example, 1.24 million is rounded down to 1.2 million, and 1.25 is rounded up to 1.3 million.

MESSAGE FROM THE DIRECTOR

I am pleased to present the fiscal year (FY) 2024 Agency Financial Report for the United States Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund).

Since its inception in 1994, the CDFI Fund has provided more than $8 billion through a variety of grant programs, $81 billion in tax credits through the New Markets Tax Credit Program and has guaranteed nearly $3 billion in bonds through the Community Development Financial Institution Bond Guarantee Program, all to increase the impact of the Community Development Financial Institutions and other community development organizations in economically distressed and underserved communities.

CDFI Fund award recipients successfully leverage billions in private sector investment to create jobs, build affordable housing, build essential community facilities, provide financial counseling, and invest in neighborhood revitalization initiatives—all in communities lacking access to traditional lending or banking institutions.

This year, the CDFI Fund collectively awarded more assistance resources than in any other single year in its history. Over the course of FY 2024, the CDFI Fund awarded more than $785 million in awards, allocated $5 billion in new market tax credits, and guaranteed nearly $500 million in bonds. Despite the significant level of awards made over the course of FY 2024, requests for assistance again exceeds the supply of resources for nearly all the CDFI Fund's various programs.

As for our financial performance, I am pleased to report that the CDFI Fund has received an unmodified audit opinion of its financial statements for FY 2024. Based on our internal evaluation, our financial and performance data have been validated as complete and reliable.

Given its strong financial and management position, the CDFI Fund remains poised to vigorously implement its mission of expanding economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

Pravina Raghavan
Director
Community Development Financial Institutions Fund
12/18/2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

VISION

An America in which all people and communities have access to the investment capital and financial services they need to prosper.

MISSION

To expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

ORGANIZATION

The Community Development Financial Institutions Fund (CDFI Fund), a wholly owned government corporation, was created as a bipartisan initiative through the *Riegle Community Development and Regulatory Improvement Act of 1994* (Public Law (P.L.) 103-325) to perform a wide range of functions to ensure that it fulfills its mission. The CDFI Fund was placed in the United States (U.S.) Department of the Treasury (Treasury) and began operations in July 1995.

The CDFI Fund has worked for more than a quarter of a century to generate economic opportunity where it is needed most. It accomplishes this through various programs it administers, all aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities.

People and communities with limited access to financial services and products lack the tools they need to save for the future, build credit, buy a home, start a business, and develop affordable housing and community facilities. As a result, they have fewer opportunities to grow and thrive and fewer opportunities to join America's economic mainstream.

The CDFI Fund's role is to generate economic opportunity in underserved low-income communities by expanding access to credit, capital, and financial services. It accomplishes this by providing capital through the following active programs in FY 2024:

- **Community Development Financial Institutions Program (CDFI Program)** – Provides Financial Assistance (FA) and Technical Assistance (TA) awards to help Certified and Emerging Community Development Financial Institutions (CDFIs). CDFIs sustain and expand their services and build their technical capacity. As part of the CDFI program appropriation, distinct funding is provided for the Healthy Food Financing Initiative (HFFI) – FA that is used by CDFIs to finance businesses providing healthy food options.

- **Native American CDFI Assistance Program (NACA Program)** – Provides FA and TA awards to build the capacity of CDFIs serving Native American, Native Alaskan, and Native Hawaiian communities.

- **Depository Institution Initiatives (DII)** includes:

  - **Bank Enterprise Award Program (BEA Program)** – Provides monetary awards to federally-insured banks and thrifts that demonstrate increased lending, investment, and service activities in the most economically distressed communities and/or in Certified CDFIs.

  - **Small Dollar Loan Program (SDL Program)** – Provides Loan Loss Reserve and TA grants to help Certified CDFIs offer fair and affordable small dollar loan products in communities underserved by mainstream financial institutions.

- **Capital Magnet Fund (CMF)** – Provides awards to Certified CDFIs and nonprofit affordable housing organizations for the development, preservation, rehabilitation, and purchase of affordable housing and for related economic development in low-income communities.

- **CDFI Bond Guarantee Program (CDFI BGP)** – Serves as a source of long-term, low-cost capital for CDFIs by guaranteeing bonds issued to support CDFIs that make investments for eligible community or economic development purposes.

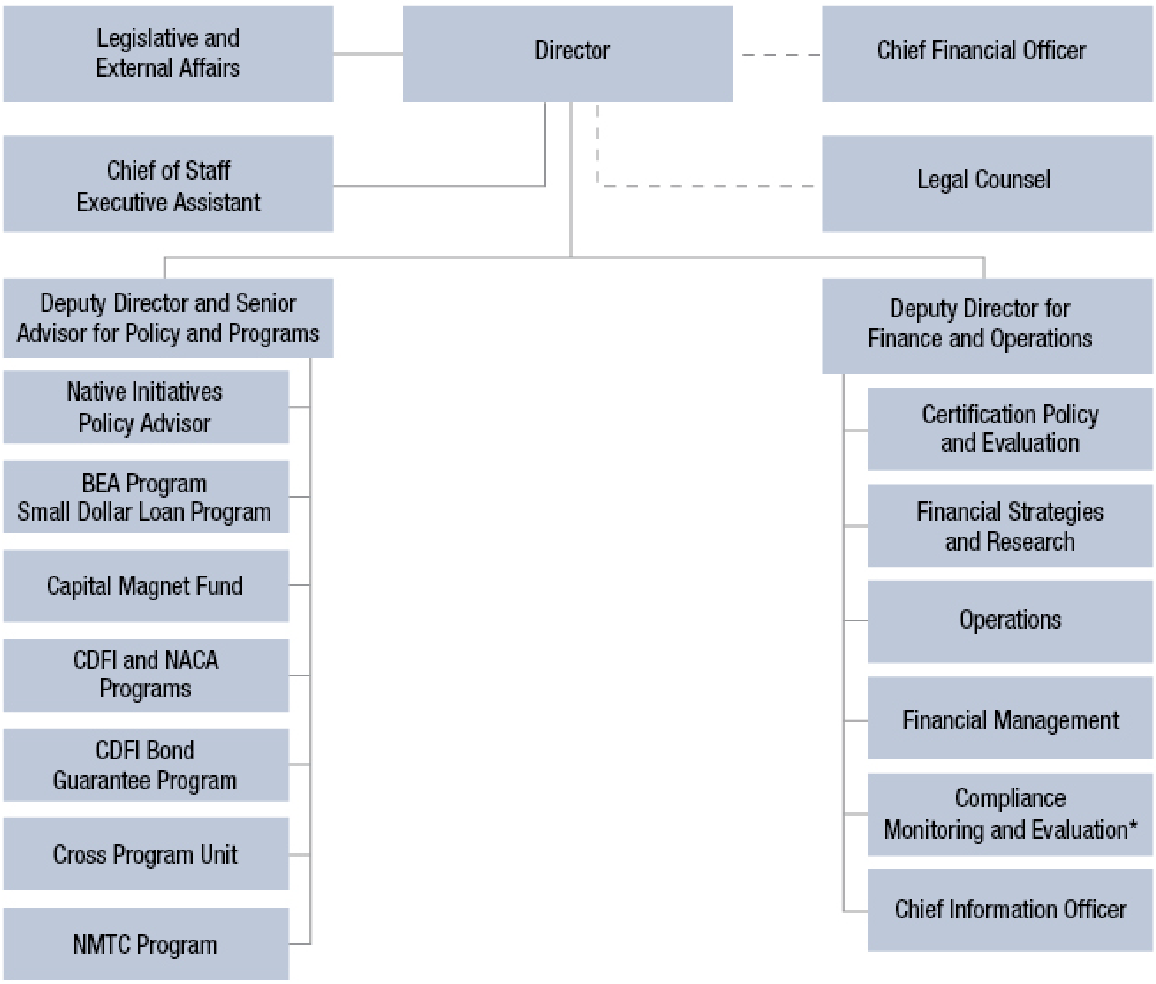
- **Emergency Support Programs** includes:

  - **CDFI Equitable Recovery Program (CDFI ERP)** – Provides grants to Certified CDFIs to expand lending in low- or moderate-income communities and to people disproportionately impacted by the Coronavirus Disease of 2019 (COVID-19) pandemic. Also enables Certified CDFIs to build organizational capacity to accomplish their objectives for a CDFI ERP award. The program consists of a single application round conducted during FY 2022 and FY 2023.

  - **CDFI Rapid Response Program (CDFI RRP)** – A pandemic recovery program consisting of a single application round conducted in FY 2021 that provided grants for CDFIs to deliver emergency support to distressed and underserved communities suffering from COVID-19 pandemic-related hardship.

- **New Markets Tax Credit Program (NMTC Program)** – Awards tax credit allocation authority to Certified Community Development Entities, enabling them to attract investment from the private sector and invest funds in low-income communities.

CDFI Fund



*Equitable Recovery Program and Rapid Response Program funding have sunset and are in the compliance phase.

The Director of the CDFI Fund has responsibility for implementing the CDFI Fund's mission, which includes:

- Establishing the strategic direction for the CDFI Fund in alignment with Treasury's policy priorities;
- Developing and implementing plans to accomplish the CDFI Fund's mission and strategic goals;
- Engaging the CDFI industry and serving as the CDFI Fund's primary public spokesperson;
- Acquiring and managing human capital, securing budgetary resources, information technology, and physical resources needed to support operations; and

- Implementing the President's Management Agenda and administrative priorities.

The Director of the CDFI Fund is supported in this work by two Deputy Directors. The Deputy Director of Policy and Programs implements the CDFI Fund's strategic vision through the design and management of the CDFI Fund's programs. The Deputy Director of Finance and Operations is responsible for the development of operating policies and procedures, internal controls, fiscal and human resource management, information technology, compliance activities, and certification. In collaboration with the Deputy Director for Finance and Operations, Financial Management—maintains responsibility of managing budget execution, formulating the Administration's budget proposal for the CDFI Fund, overseeing monthly financial statements, managing the CDFI Fund's yearly audit, and preparing the Agency Financial Report. The Bureau of the Fiscal Service Administrative Resource Center (FS-ARC) acts as the fiscal agent for the CDFI Fund. FS-ARC provides a full range of accounting services including budget support, vendor and employee record maintenance/reporting, accounts payable, accounts receivable and debt collections, receivable reporting, purchase and fleet card, payroll accounting, cash, accounting, and reporting. Financial Management is responsible for the record keeping carried out by the FS-ARC.

PERFORMANCE OVERVIEW

The CDFI Fund's Annual Performance Report, submitted with its congressional budget justification, will be issued by February 1, 2025. The report will be available online at https://www.treasury.gov/about/budget-performance/Pages/cj-index.aspx.

The CDFI Fund's programs and performance align with Treasury's strategic framework, which include the following strategic goals:

- Goal 1: Promote Equitable Economic Growth and Recovery
- Goal 2: Enhance National Security
- Goal 3: Protect Financial Stability and Resiliency
- Goal 4: Combat Climate Change
- Goal 5: Modernize Treasury Operations

As an office within Treasury's Office of Domestic Finance, strategic Goals 1 and 5 are most relevant to the CDFI Fund's mission and operations. The discussion below outlines how the CDFI Fund's performance in FY 2024 contributed to these two strategic goals:

Goal 1: Promote Equitable Economic Growth and Recovery

The CDFI Fund contributes to strategic Goal 1 through the operation of the funding programs. In FY 2024, the CDFI Fund:

- Allocated a total of $5 billion in new market tax credits (NMTCs) through the calendar year 2023 round of the NMTC Program. The NMTC Program incentivizes community development and economic growth using tax credits that attract private investment to distressed communities. The new market tax credit allocations awarded during FY 2024 will be used to raise capital for investment in low-income communities.

- Provided $40.1 million in awards to 171 Federal Deposit Insurance Corporation-insured depository institutions through the FY 2024 round of the BEA Program. This award round was funded from FY 2023 and FY 2024 appropriations. All these awards are reinvested into economically distressed communities and CDFIs to generate even further economic opportunity.

- Deployed more than $408.2 million in FA awards, through the FY 2024 round of the CDFI Program and NACA Program, to 357 CDFIs. FA awards provide CDFIs with capital critical for establishing new businesses, creating jobs, financing affordable housing, increasing homeownership, and providing financial services in low-income and distressed communities nationwide.

- Issued three bond guarantees totaling $498 million under the FY 2024 round of the CDFI BGP.

- Provided $321.2 million in awards to 52 organizations through the FY 2023 round of the CMF for the development of affordable housing and community facilities serving low-income individuals, families, and communities.

- Allocated $18 million in grants to CDFIs through the combined FY 2023 and FY 2024 round of the SDL Program. The SDL Program helps Certified CDFIs address the need to expand consumer access to mainstream financial institutions and provide alternatives to high-cost small dollar loans.

These programs support the activities of CDFIs and a network of community development lenders that provide access to capital, credit and financial services to communities that may have less access to mainstream financial institutions. The CDFI Fund's programs provide these communities with resources needed to facilitate economic growth and recovery.

Represented in the table below are the CDFI Fund award recipients' performance measures, which reflect how the CDFI Fund meets Goal 1.

Goal 1: Key Performance Data Highlights

Performance Measure	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2024 Target	Actual vs. Target
CDFI Program - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Dollar Amount of Loans (Annual %)	71.4%	67.1%	66.0%	76.1%	60%	Exceeded
CDFI Program - Percentage of Loans & Investments Originated in Eligible Distressed or Underserved Communities by Number of Loans	75.7%	77.7%	71.6%	88.7%	60%	Exceeded
BEA Program Leverage Ratio is the $ Sum of All Award Recipients Qualified Activities to the $ Sum of All Awards each year[1]	2.60*	N/A	N/A	N/A	N/A	TBD
NACA Program – Percentage of NACA Program Loans and Investments in Native Areas ($ Amount of Loans)	60.1%	65.3%	89.0%	86.1%	50%	Exceeded
NACA Program – Percentage of NACA Program Loans and Investments in Native Areas (# of Loans)	72.6%	70.3%	81.0%	75.8%	50%	Exceeded
ALL – Award Cycle Time (# of Months)[2]	5.60	8.8	8.0	8.6	6.50	Unmet
ALL – Time to Initial Disbursement (# of Months)[3]	5.10	3.50	2.20	1.9	4.50	Exceeded
NMTC Program – Percentage of Loans and Investments That Went into Severely Distressed Communities[4,5]	77%	79%	75.4%	79.3%	75.0%	Exceeded
Ratio of the dollar amount of small dollar loans closed each year to the number of SDL Program recipients reporting in the year[6]	N/A*	$891,665	$656,042	$1,150,963	I	Not Applicable
ALL - Number of Affordable Housing Units Developed or Produced[7]	58,125	71,615	109,599	84,386	I	Not Applicable
HFFI - Retail Outlets Created/Preserved[8]	29	32	23	17	I	Not Applicable

Key: *B – Baseline (start of measure once data is available); I - Indicator; TBD - To Be Determined; N/A - Not Available

Explanation of Results

[1] The FY 2022 BEA Program award round was a joint round conducted with the FY 2023 BEA Program award round in Spring 2023, so their period of performance end date is December 31, 2024, which means their Uses of Award report upon which this performance measure is based is not due until March 31, 2025. There is no value for FY 2022. For the FY 2024 BEA Program Award, their Uses of Award report is not due until March 31, 2026, so no performance measure was available as of September 30, 2024.

[2] For All Award Cycle Time, there was no FY 2022 award round for CMF, so it was not included in the calculation. BEA Program was not included as well because its FY 2022 award round was joint with its FY 2023 award round, and the award announcement occurred on September 20, 2023. In FY 2023, the measure only reflects funding rounds for BEA Program, CMF, and NMTC Program. In FY 2024, multiple programs had joint funding rounds of FY 2023 and FY 2024 funding. For FY 2024, one program had yet to make its award announcement as of September 30, 2024; it is scheduled for announcement before the end of Calendar Year (CY) 2024.

[3] For All-Time to Initial Disbursement, only two of six programs had fully completed disbursements for FY 2024 award recipients, so these numbers are artificially low. Further, the NMTC Program does not conduct disbursements.

[4] NMTCs are awarded by calendar year and do not align with the CDFI Fund's FY. For example, FY 2024 represents the CY 2023 NMTC Program round.

[5] For the CY 2021 NMTC Program application round which represents FY 2022, the NMTC Program changed the investment commitment into severely distressed communities from 75% to 85%. As a result, the target value for the NMTC performance measure will change from 75% to 85%; however, NMTC allocatees have a multi-year deployment window, so the new target value is set to increase to 85% for FY 2026.

[6] The FY 2021 SDL Program award round made their award announcement on September 23, 2021; therefore, outcome reporting started in FY 2023 with their FY 2022 activity. The FY 2022 SDL Program award round made their award announcement on May 16, 2022; therefore, outcome reporting did not start until FY 2024 with their FY 2023 activity. For both FY 2021 and FY 2022 SDL Program award recipients, we did not have complete FY 2024 activity so the numbers in the table are preliminary. The FY 2023 and FY 2024 SDL Program Rounds were combined into one round that was announced on April 16, 2024, so outcome reporting had not started for these award recipients. The SDL Program performance measure has been changed from prior budget submissions because the earlier concept of the performance measure was not feasible to collect based on current reporting forms.

[7] Beginning with FY 2022, the Number of Affordable Housing Units Developed or Produced measure includes units produced by CDFI RRP FY 2021 award recipients.

[8] For the HFFI – Retail Outlets Created/Preserved, performance measure, this measure may start to show a decline in number compared to prior years as the 3-year performance reporting for FY 2023/FY 2024 joint round award recipients winds down. The CDFI Fund is looking to reallocate HFFI funding to other programs given CDFIs can use CDFI Program FA awards and CDFI BGP funds to finance interventions that expand the supply of and demand for, nutritious foods in "food deserts" or "low-income, low-foodstore-access" areas similar to HFFI. This performance measure would then be redesigned to no longer focus on HFFI funding.

Goal 5: Modernize Treasury Operations

Strategic Objective 5.1 and 5.2: Recruit and Retain a Diverse and Inclusive Workforce and Future Work Routines

In FY 2024, the CDFI Fund continued its recruitment efforts to hire additional staff to support growth across programs and operations, including new programs and expanding operational needs in the areas of information technology, compliance, certification, reporting, and research. The CDFI Fund posted vacancies nationwide ensuring a talented and diverse pool of candidates to fill vacant positions. The CDFI Fund operates in a hybrid environment offering its employees flexible work arrangements to fill talent gaps and improve retention. The CDFI Fund leveraged information technology tools to enable teleworkers to reserve "hoteling" spaces, provided access to training and Human Resources forms required for remote workers, deployed improved collaboration technologies for hybrid and remote teams, and tested new approaches to space configurations and sharing.

Of the 102 full time CDFI Fund staff, 101 are remote workers and 1 is a teleworker. Due to its change to a hybrid work environment, the CDFI Fund significantly reduced its carbon footprint.

Strategic Objective 5.3: Better Use of Data

The CDFI Fund was designated as a Treasury High Impact Service Provider in FY 2022. In FY 2023, the CDFI Fund worked closely with Treasury to begin laying the groundwork for the collection of customer satisfaction data around our reporting systems.

In FY 2024, the CDFI Fund launched a customer feedback survey to better understand award Recipient reporting needs. In FY 2025, the CDFI Fund will continue to collect and analyze customer feedback data received to monitor high-level satisfaction along with specifics of the Recipient's reporting experience. Based on customer feedback data analysis, the CDFI Fund will create an Action Plan to expand on areas of positive feedback, and to address and improve areas where the award Recipients expressed dissatisfaction with the current reporting process.

FINANCIAL HIGHLIGHTS AND ANALYSIS OF OPERATIONS

The financial highlights below are an analysis of the information included in the CDFI Fund's financial statements that appear within the "Financial Section" of this report. The CDFI Fund prepared its principal financial statements to report the financial position and results of operations of its programs consistent with the requirements of 31 U.S. Code 3515(b). These statements have been prepared from the books and records of the CDFI Fund (and Treasury) in accordance with U.S. Generally Accepted Accounting Principles for federal entities and the formats prescribed by the Office of Management and Budget (OMB). These statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records, and should be read with the understanding that they are for a component of the U.S. government.

The following schedule presents key financial statement line items as of and for the fiscal year ended (FYE) September 30, 2024 compared to September 30, 2023.

Summary Financial Information (*dollars in thousands*)

	2024	2023	$ Change	% Change
Total Assets	$ 3,588,878	$ 4,668,875	$ (1,079,997)	(23.13)%
Total Liabilities	$ 1,484,090	$ 1,434,915	$ 49,175	3.43%
Total Net Position	$ 2,104,788	$ 3,233,960	$ (1,129,172)	(34.92)%
Total Net Cost of Operations	$ 1,601,822	$ 832,207	$ 769,615	92.48%
Total Net Cost – CDFI Program	$ 135,159	$ 172,535	$ (37,376)	(21.66)%
Total Net Cost – NACA Program	$ 14,026	$ 19,803	$ (5,777)	(29.17)%
Total Net Cost – DII	$ 52,142	$ 81,065	$ (28,923)	(35.68)%
Total Net Cost – CMF	$ 260,388	$ 210,006	$ 50,382	23.99%
Total Net Revenue – CDFI BGP	$ (4,554)	$ (7,232)	$ (2,678)	(37.03)%
Total Net Cost – Emergency Support Programs	$ 1,109,046	$ 324,298	$ 784,748	241.98%
Total Net Cost – NMTC Program	$ 2,237	$ 2,417	$ (180)	(7.45)%
Total Net Cost – Costs Not Assigned to Programs	$ 33,378	$ 29,315	$ 4,063	13.86%
Total Budgetary Resources	$ 1,972,708	$ 3,319,898	$ (1,347,190)	(40.58)%
Agency Outlays, Net	$ 609,188	$ 1,477,160	$ (867,972)	(58.76)%

Financial Overview

The CDFI Fund's financial performance as of and for the fiscal year ended September 30, 2024, reflects a couple major highlights. Most significantly, grant award recipients reported qualified expenses incurred of $1.5 billion, which impacted the decrease to *"Total Assets"* and *"Total Net Position,"* and the increase to *"Total Net Cost of Operations."* The qualified expenses incurred were mainly attributable to CDFI ERP.

Additionally, *"Agency Outlays, Net"* for FY 2024 decreased by $868.0 million due to a decrease in disbursements to CDFI Fund award recipients in FY 2024, primarily in connection with CDFI ERP.

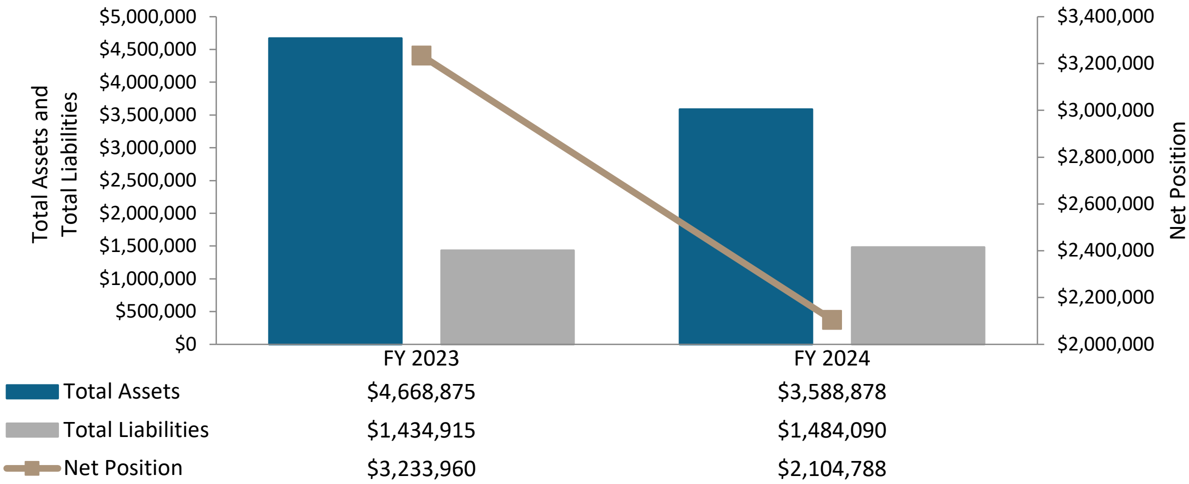


Figure 1: Total Assets, Total Liabilities, and Net Position (in thousands)

Total Assets of $3.6 billion at September 30, 2024 consisted of Fund Balance with Treasury of $1.3 billion, other than intra-governmental loans receivable of $1.4 billion, other than intra-governmental advances of $773.3 million, and various other assets totaling $132.0 million.

The $1.1 billion (or 23.1 percent) decrease in total assets at the end of FY 2024 over the prior year was due to a $302.3 million (or 19.4 percent) decrease in *"Fund Balance with Treasury."* The reduction was a result of a decrease in funding that had yet to be obligated and additional borrowing authority made available to fund direct loan programs offset by an increase in obligated balances yet to be disbursed.

Other than intra-governmental *"Loans Receivable, Net"* represents loans issued by the CDFI Program and CDFI BGP to private sector borrowers. This receivable increased by $81.9 million (or 6.1 percent) during FY 2024 due to additional advances to borrowers for CDFI BGP.

Other than intra-governmental *"Advances and Prepayments"* represents grant funding that has been disbursed to CDFI Fund recipients, but not yet recognized as expense, as the recipients have yet to use the award funding. The advance decreased by $862.2 million (or 52.7 percent) net of FY 2024 grant disbursements and grant award recipients reported qualified expenses.

Other assets primarily include *"Accounts Receivable, Net," "Investments, Net,"* and *"Property, Plant, and Equipment, Net."* Other assets totaling $132.0 million increased by $2.6 million (or 2.0 percent) mainly reflected by an increase in *"Accounts Receivable, Net."*

Total Liabilities of $1.5 billion at September 30, 2024 principally consisted of debt owed to Federal Financing Bank (FFB) and Treasury of $1.4 billion. Debt owed to FFB and Treasury increased by $84.2 million (or 6.2 percent). Debt is needed to finance CDFI BGP and CDFI Program direct loans.

Total Net Position represents the combined total of cumulative results of operations and unexpended appropriations at the end of the fiscal year. Net Position totaled $2.1 billion for FY 2024 compared to $3.2 billion for FY 2023, a decrease of $1.1 billion (or 34.9 percent). The decrease was mainly attributed to the recognition of appropriations used for grant award recipients reporting of qualified expenses.

Net Cost of Operations is presented on the Statements of Net Cost based on the costs and revenues associated with the CDFI Fund's major program categories. Net Cost of Operations totaled $1.6 billion for FY 2024 compared to $832.2 million for FY 2023, an increase of $769.6 billion (or 92.5 percent). The increase was mainly attributable to a $784.7 million (or 242.0 percent) increase in Emergency Support Programs net cost and an increase of $50.4 million (or 24.0 percent) in CMF net cost offset by a $37.4 million (or 21.7 percent) decrease in CDFI Program net cost, a $28.9 million (or 35.7 percent) decrease in DII net cost, due to grant award recipients reporting of qualified expenses.

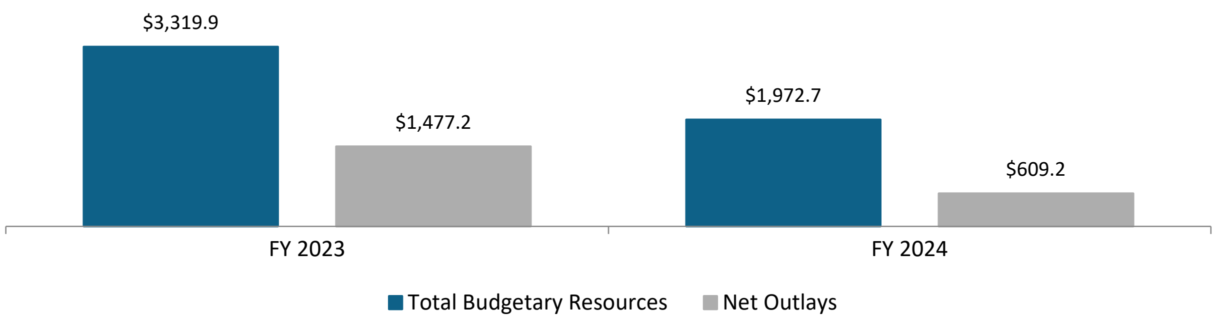


Figure 2: Total Budgetary Resources and Agency Outlays, Net (in millions)

Total Budgetary Resources of $2.0 billion in FY 2024 decreased by $1.3 billion (or 40.6 percent), primarily due to a $1.5 billion decrease in unobligated balance brought forward from the prior year budget authority, partially offset by a $198 million increase in borrowing authority.

The $1.5 billion reduction in unobligated balances brought forward were primarily attributable to a reduction in new obligations from FY 2023 compared to FY 2024 mainly related to the CDFI ERP. The $198 million increase in borrowing authority were due to CDFI BGP awarding a larger amount of direct loan funding in FY 2024 compared to FY 2023.

COVID-19

The Emergency Support Programs, CDFI RRP and CDFI ERP, established as COVID-19 pandemic recovery programs, were the primary drivers of the CDFI Fund FY 2024 decreases in *"Total Assets"* and *"Total Net Position"* as well as the increase in *"Total Net Cost of Operations."* CDFI ERP recognized in FY 2024 a decrease to advances, a decrease to unexpended appropriations, and an increase to gross cost of $802.8 million due grant award recipients reporting of qualified expenses. Other than intra-governmental *"Advances and Prepayments"* decreased $803.4 million net of FY 2024 CDFI RRP and CDFI ERP disbursements and FY 2024 grant award recipients reporting of qualified expenses. *"Appropriations Used"* decreased and correspondingly *"Emergency Support Program Net Cost"* increased $1.1 billion in FY 2024 due to CDFI RRP and CDFI ERP grant award recipients reporting of qualified expenses.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

CDFI Fund management is responsible for managing risks and maintaining effective internal control and financial management systems to meet the objectives of the *Federal Managers' Financial Integrity Act* (FMFIA) and the *Federal Financial Management Improvement Act* (FFMIA). OMB Circular A-123 (OMB A-123), *Management's Responsibility for Enterprise Risk Management and Internal Control,* provides the implementation guidance for FMFIA and defines management's responsibility for establishing and assessing internal controls. The OMB A-123 also requires federal agencies to adhere to the Government Accountability Office's *Standards for Internal Control in the Federal Government*, and to evaluate and report on the effectiveness of the organization's internal controls to achieve the objectives of: (1) effective and efficient operations, (2) reliable reporting for internal and external use, and (3) compliance with applicable laws and regulations (FMFIA Section 2). Additionally, agencies are required to assess whether financial management systems comply with federal financial management systems requirements (FMFIA Section 4).

The CDFI Fund's internal controls are assessed in accordance with the *Treasury Guide for Assessing Internal Control in Accordance with OMB A-123 Appendix A: Management of Reporting and Data Integrity Risk*, which includes a comprehensive risk-based internal control evaluation plan. This plan includes a methodology that identifies and documents key controls and provides for the assessment and testing of those controls to obtain reasonable assurance that the controls are designed, implemented, and operating effectively.

The CDFI Fund uses centralized financial management and budget formulation hosting services provided by FS-ARC. The shared service approach enables the CDFI Fund to have access to core financial systems without having to maintain separate technical and system architectures. Using shared services reduces the need for the CDFI Fund to maintain duplicative financial management systems, thereby promoting efficiency and cost saving measures, while enhancing the quality, timeliness, and accuracy of financial management processes.

The FFMIA requires federal agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Standard General Ledger at the transaction level. As a component of Treasury, the CDFI Fund assesses its financial management systems annually for conformance, in accordance with OMB A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*. The CDFI Fund uses FS-ARC's financial management system as part of a shared service arrangement and relies on FS-ARC's Service Organization Control 1-Type 2 report and the FS-ARC FFMIA Assessment to conduct its review.

Based on the results of the assessments of internal controls and financial management systems referred to above, the CDFI Fund can provide reasonable assurance that, in accordance with Section 2 of the FMFIA, the CDFI Fund's internal control over operations, reporting, and compliance with laws and regulations were operating effectively as of September 30, 2024. In addition, the CDFI Fund can provide reasonable assurance that, as of September 30, 2024, the CDFI Fund's financial management systems are in substantial conformance with the federal financial management systems requirements of Section 4 of the FMFIA.

The Payment Integrity Information Act of 2019 requires the CDFI Fund to annually report on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. An improper payment is any payment that should not have been made or that was made in an incorrect amount (including both overpayments and underpayments).

The CDFI Fund is not aware of any violations of the Antideficiency Act.

RISKS AND CHALLENGES

Resource Prioritization: Funding for CDFI Fund assistance programs is subject, in large part, to the annual Congressional appropriations process. As such, funding provided to the CDFI Fund will vary based upon Congressional action and could result in reduced budgetary support for the CDFI Fund. In addition, funding for the CDFI Fund is also subject to Presidential Administration's priorities. Prior Presidential Administrations sought to eliminate funding for the CDFI Fund in their annual budget proposals. Future Presidential Administrations could also seek to reduce or eliminate funding.

Operational Resilience: The CDFI Fund may face significant disruptions to operations, a lapse in appropriations or other unforeseen events which could inhibit successful mission delivery, curtail progress in critical areas, and introduce challenges for agency employees and contractors as well as our customers.

OUTLOOK FOR 2025 AND BEYOND

The CDFI Fund launched its revised Certification Application in December 2023 and is prioritizing the review of Applications from uncertified organizations as well as recertifying existing CDFIs applying under the revised Application. Currently, Certified CDFIs (approximately more than 1,400) will be submitting their applications in 2025 for recertification. The CDFI Fund will use the additional data records from the certification process to develop benchmarks for the CDFI Industry to encourage more private sector investment.

The CDFI Fund anticipates receiving additional funding from the Emergency Capital Investment Program (ECIP) as authorized by P.L. 116-260. A transfer of proceeds from the sale of investments and related earned interest and dividends of $46.1 million began in FY 2024. The CDFI Fund anticipates using the proceeds to provide FA and TA to CDFIs.

Portions of ECIP receipts available in FY 2025 and beyond will be used for FA grants to Certified CDFIs to finance affordable housing projects. Funds will also be used for a new pilot grant program that provides funding to Certified CDFIs seeking to improve their technological and cybersecurity systems.

KPMG LLP
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Washington, DC 20006

Independent Auditors' Report

Acting Inspector General, U.S. Department of the Treasury
Director, Community Development Financial Institutions Fund:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Community Development Financial Institutions Fund (CDFI Fund), which comprise the balance sheets as of September 30, 2024 and 2023, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the CDFI Fund as of September 30, 2024 and 2023, and its net cost, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 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 CDFI Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Financial Report to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 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 GAAS, *Government Auditing Standards,* and OMB Bulletin No. 24-02, 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 CDFI Fund'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.

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.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Agency Financial Report. The other information comprises the Message from the Director, Other Information - Summary of Financial Statement Audit and Management Assurances, and Appendix A: Glossary of Acronyms but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG

Other Reporting Required by Government Auditing Standards

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2024, we considered the CDFI Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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 a 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 a 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements as of and for the year ended September 30, 2024 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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* or OMB Bulletin No. 24-02.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
December 18, 2024

Balance Sheets
As of September 30, 2024 and 2023

(in thousands)	2024	2023
ASSETS		
Intra-Governmental:		
Fund Balance with Treasury (Note 2)	**$ 1,252,150**	$ 1,554,455
Total Intra-Governmental	**1,252,150**	1,554,455
Other than Intra-Governmental:		
Accounts Receivable, Net (Note 3)	**82,261**	80,405
Loans Receivable, Net (Note 4)	**1,431,467**	1,349,575
Property, Plant & Equipment, Net	**14,241**	12,388
Advances and Prepayments (Note 5)	**773,295**	1,635,487
Investments, Net (Note 6)	**35,464**	36,565
Total Other than Intra-Governmental	**2,336,728**	3,114,420
Total Assets	**$ 3,588,878**	$ 4,668,875
LIABILITIES		
Intra-Governmental:		
Debt (Note 7)	**$ 1,434,531**	$ 1,350,329
Other Liabilities:		
Due to the General Fund	**7,102**	8,805
Other Liabilities (Note 8)	**723**	717
Total Intra-Governmental Liabilities	**1,442,356**	1,359,851
Other than Intra-Governmental:		
Other Liabilities (Note 8)	**41,734**	75,064
Total Other than Intra-Governmental	**41,734**	75,064
Total Liabilities	**1,484,090**	1,434,915
Commitments (Note 9)		
NET POSITION		
Unexpended Appropriations – Funds from Other than Dedicated Collections	**1,136,456**	2,159,653
Total Unexpended Appropriations (Consolidated)	**1,136,456**	2,159,653
Cumulative Results of Operations – Funds from Dedicated Collections (Note 10)	**871,900**	1,025,717
Cumulative Results of Operations – Funds from Other than Dedicated Collections	**96,432**	48,590
Total Cumulative Results of Operations (Consolidated)	**968,332**	1,074,307
Total Net Position	**2,104,788**	3,233,960
Total Liabilities and Net Position	**$ 3,588,878**	$ 4,668,875

The accompanying notes are an integral part of these financial statements.

Statements of Net Cost

For the Fiscal Years Ended September 30, 2024 and 2023

(in thousands)	2024	2023
CDFI Program		
Gross Costs (Note 5)	**$ 136,414**	$ 173,875
Less: Earned Revenue	**(1,255)**	(1,340)
Net Program Cost	**135,159**	172,535
NACA Program		
Gross Costs (Note 5)	**14,026**	19,803
Less: Earned Revenue	**-**	-
Net Program Cost	**14,026**	19,803
Depository Institutions Initiative (BEA Program and SDL Program)		
Gross Costs (Note 5)	**52,142**	81,065
Less: Earned Revenue	**-**	-
Net Program Cost	**52,142**	81,065
CMF		
Gross Costs (Note 5)	**260,388**	210,006
Less: Earned Revenue	**-**	-
Net Program Cost	**260,388**	210,006
CDFI BGP		
Gross Costs	**32,148**	31,139
Less: Earned Revenue	**(36,702)**	(38,371)
Net Program Revenue	**(4,554)**	(7,232)
NMTC Program		
Gross Costs	**2,237**	2,417
Less: Earned Revenue	**-**	-
Net Program Cost	**2,237**	2,417
Emergency Support Programs (CDFI RRP and CDFI ERP)		
Gross Costs (Note 5)	**1,109,046**	324,298
Less: Earned Revenue	**-**	-
Net Program Cost	**1,109,046**	324,298
Costs Not Assigned to Programs		
Gross Costs	**33,378**	29,315
Less: Earned Revenue	**-**	-
Net Cost not Assigned to Programs	**33,378**	29,315
Total Gross Costs	**1,639,779**	871,918
Less: Total Earned Revenue	**(37,957)**	(39,711)
Total Net Cost of Operations	**$ 1,601,822**	$ 832,207

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2024

(in thousands)	Funds from Dedicated Collections (Consolidated Totals)	Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
UNEXPENDED APPROPRIATIONS			
Beginning Balance	$ -	$ 2,159,653	$ 2,159,653
Appropriations Received	-	329,761	329,761
Other Adjustments	-	(896)	(896)
Appropriations Used	-	(1,352,062)	(1,352,062)
Net Change in Unexpended Appropriations	-	(1,023,197)	(1,023,197)
Total Unexpended Appropriations	-	1,136,456	1,136,456
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balance	1,025,717	48,590	1,074,307
Appropriations Used	-	1,352,062	1,352,062
GSE Fees and Other Non-Exchange Revenue	106,571	-	106,571
Transfers-In/Out without Reimbursement	-	46,119	46,119
Imputed Financing Sources	-	1,710	1,710
Transfers to the General Fund	-	(10,615)	(10,615)
Total Net Cost of Operations	(260,388)	(1,341,434)	(1,601,822)
Net Change in Cumulative Results of Operations	(153,817)	47,842	(105,975)
Total Cumulative Results of Operations	871,900	96,432	968,332
Net Position	$ 871,900	$ 1,232,888	$ 2,104,788

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2023

(in thousands)	Funds from Dedicated Collections (Consolidated Totals)	Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
UNEXPENDED APPROPRIATIONS			
Beginning Balance	$ -	$ 2,467,825	$ 2,467,825
Appropriations Received	-	334,616	334,616
Other Adjustments	-	(1,482)	(1,482)
Appropriations Used	-	(641,306)	(641,306)
Net Change in Unexpended Appropriations	-	(308,172)	(308,172)
Total Unexpended Appropriations	-	2,159,653	2,159,653
CUMULATIVE RESULTS OF OPERATIONS			
Beginning Balance	1,124,844	29,961	1,154,805
Appropriations Used	-	641,306	641,306
GSE Fees and Other Non-Exchange Revenue	110,879	-	110,879
Imputed Financing Sources	-	1,486	1,486
Transfers to the General Fund	-	(1,962)	(1,962)
Total Net Cost of Operations	(210,006)	(622,201)	(832,207)
Net Change in Cumulative Results of Operations	(99,127)	18,629	(80,498)
Total Cumulative Results of Operations	1,025,717	48,590	1,074,307
Net Position	$ 1,025,717	$ 2,208,243	$ 3,233,960

The accompanying notes are an integral part of these financial statements.

Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2024

(in thousands)	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Total
Budgetary Resources:			
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 11)	$ 921,981	$ -	$ 921,981
Appropriations (Discretionary and Mandatory)	440,095	-	440,095
Borrowing Authority (Discretionary and Mandatory)	-	523,520	523,520
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	44,966	42,146	87,112
Total Budgetary Resources	$ 1,407,042	$ 565,666	$ 1,972,708
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 839,182	$ 559,800	$ 1,398,982
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	453,903	5,866	459,769
Unapportioned, Unexpired Accounts	100,285	-	100,285
Unexpired Unobligated Balance, End of Year	554,188	5,866	560,054
Expired Unobligated Balance, End of Year	13,672	-	13,672
Unobligated Balance, End of Year (Total)	567,860	5,866	573,726
Total Budgetary Resources	$ 1,407,042	$ 565,666	$ 1,972,708
Outlays, Net, and Disbursements, Net:			
Outlays, Net (Total) (Discretionary and Mandatory)	$ 739,286	$ -	$ 739,286
Distributed Offsetting Receipts	(130,098)	-	(130,098)
Agency Outlays, Net (Discretionary and Mandatory)	$ 609,188	$ -	$ 609,188
Disbursements, Net (Total) (Mandatory)		$ 81,557	$ 81,557

The accompanying notes are an integral part of these financial statements.

Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2023

(in thousands)	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Total
Budgetary Resources:			
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 11)	$ 2,420,938	$ -	$ 2,420,938
Appropriations (Discretionary and Mandatory)	537,227	-	537,227
Borrowing Authority (Discretionary and Mandatory)	-	325,473	325,473
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	1,855	34,405	36,260
Total Budgetary Resources	$ 2,960,020	$ 359,878	$ 3,319,898
Status of Budgetary Resources:			
New Obligations and Upward Adjustments (Total)	$ 2,039,554	$ 356,657	$ 2,396,211
Unobligated Balance, End of Year:			
Apportioned, Unexpired Accounts	732,182	3,221	735,403
Unapportioned, Unexpired Accounts	180,024	-	180,024
Unexpired Unobligated Balance, End of Year	912,206	3,221	915,427
Expired Unobligated Balance, End of Year	8,260	-	8,260
Unobligated Balance, End of Year (Total)	920,466	3,221	923,687
Total Budgetary Resources	$ 2,960,020	$ 359,878	$ 3,319,898
Outlays, Net, and Disbursements, Net:			
Outlays, Net (Total) (Discretionary and Mandatory)	$ 1,680,276	$ -	$ 1,680,276
Distributed Offsetting Receipts	(203,116)	-	(203,116)
Agency Outlays, Net (Discretionary and Mandatory)	$ 1,477,160	$ -	$ 1,477,160
Disbursements, Net (Total) (Mandatory)		$ 94,726	$ 94,726

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Community Development Financial Institutions Fund (CDFI Fund or the Fund), a government corporation, was created as a bipartisan initiative in the *Riegle Community Development and Regulatory Improvement Act of 1994* (Public Law (P.L.) 103-325). The CDFI Fund was placed within the United States (U.S.) Department of the Treasury (Treasury) and began operations in July 1995.

The CDFI Fund operates various programs aimed at expanding the availability of credit, investment capital, and financial and other services in distressed urban, rural, and Native American communities. The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

The major programs operated by the CDFI Fund are the:

- Community Development Financial Institutions Program (CDFI Program)
- Native American CDFI Assistance Program (NACA Program)
- Bank Enterprise Award Program (BEA Program)
- Small Dollar Loan Program (SDL Program)
- Capital Magnet Fund (CMF)
- CDFI Bond Guarantee Program (CDFI BGP)
- New Markets Tax Credit Program (NMTC Program)
- CDFI Rapid Response Program (CDFI RRP)
- CDFI Equitable Recovery Program (CDFI ERP)

The CDFI Program provides financial assistance (FA) and technical assistance (TA) awards to Community Development Financial Institutions (CDFIs) which in turn provide financial products and complementary services to create community development impact in underserved markets. FA awards take the form of grants, direct loans, and investments. TA grants provide aid to start-up and early-stage CDFIs and entities planning to become CDFIs.

The NACA Program provides grants to help create CDFIs and to build the capacity of Native CDFIs that serve primarily Native American, Native Alaskan, and Native Hawaiian communities.

The BEA Program provides incentives to insured depository institutions (banks and thrifts) to invest in CDFIs and to increase their lending and financial services in distressed communities. Program participants are selected based on projected achievements. The awards are disbursed after the activities have been implemented successfully, to ensure that only completed activities are recognized and that the CDFI Fund's limited dollars are effectively leveraged with private capital.

The SDL Program, authorized by the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (P.L. 111-203), was enacted through the *Consolidated Appropriations Act, 2020* (P.L. 116-93). The purpose of the SDL Program is to provide grants for loan loss reserves and TA to enable Certified CDFIs to establish and maintain small dollar loan programs.

The CMF provides competitively awarded grants to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities (including community service facilities). Award recipients can utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk sharing loans, and loan guarantees. Organizations that receive the CMF awards are required to finance housing and community development investments costing at least ten times the award amount.

The CDFI BGP was enacted through the *Small Business Jobs Act of 2010* (P.L. 111-240). The CDFI Fund administers the program and the Secretary of the Treasury (Secretary) issues direct loans for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs.

Under the NMTC Program, the CDFI Fund provides tax credit allocation authority to Community Development Entities (CDEs), which use these credits to attract private sector investment. Proceeds from these investments are used for community development purposes. Unlike the CDFI Fund’s grant programs and the CDFI BGP, the tax credit allocation authority to CDEs has no effect on the financial statements of the CDFI Fund.

The CDFI RRP was enacted through the *Consolidated Appropriations Act, 2021* (P.L. 116-260). The program was designed to quickly deploy capital, through grants, to Certified CDFIs to support, prepare for, and respond to the economic impact of the Coronavirus Disease of 2019 (COVID-19) pandemic.

The CDFI ERP was also enacted through P.L. 116-260. The program was designed to provide grants to CDFIs to expand lending, grant making and investment activities in low- or moderate-income communities and borrowers that have experienced disproportionate economic impacts from the COVID-19 pandemic.

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared from the CDFI Fund’s accounting records in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, and Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as revised. Accounting principles generally accepted for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants recognizes FASAB as the official accounting standards-setting body for the U.S. government. Certain presentations and disclosures may be modified, if needed, to prevent the disclosure of classified information.

These financial statements consist of the Balance Sheets, the Statements of Net Cost, the Statements of Changes in Net Position, and the Statements of Budgetary Resources. The statements and the related notes are prepared in a comparative form to present both fiscal year (FY) 2024 and 2023 information.

Intra-governmental assets and liabilities are those due from or to other federal entities. Intra-governmental earned revenues are collections or accruals of revenue from other federal entities, and intra-governmental costs are payments or accruals of expenditures to other federal entities.

These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity. The CDFI Fund has reclassified certain FY 2023 activity and balances presented in the notes to the financial statements to conform to the presentation in the current year.

There are numerous acronyms used throughout the notes herein as well as other sections of this Agency Financial Report. Refer to the *"Glossary of Acronyms (Unaudited)"* located in the Appendix of this report for a complete listing of these acronyms and their definitions.

C. Fund Balance with Treasury

Fund Balance with Treasury is composed of appropriated and borrowed funds (financing accounts) that are available to pay liabilities and finance authorized awards and purchase commitments. Also included are restricted funds from the Government Sponsored Enterprises (GSE) used to finance activities for the CMF and investment proceeds transferred from Treasury's Emergency Capital Investment Program (ECIP). The Fund Balance with Treasury amounts represent commitments by the U.S. government to provide resources for particular programs, but do not represent assets to the government as a whole. The CDFI Fund does not maintain cash in commercial bank accounts. Treasury processes cash receipts and disbursements.

D. Loans Receivable, Net

The CDFI Fund makes direct loans to certain CDFI Program and CDFI BGP awardees. The CDFI Fund accounts for the direct loans under the provisions of credit reform accounting pursuant to the Federal Credit Reform Act of 1990 (FCRA).

To account for the credit program receivables, the CDFI Fund applies the accounting provisions of Statement of Federal Financial Accounting Standards (SFFAS) 2, *Accounting for Direct Loans and Loan Guarantees*, as amended. SFFAS 2 requires measurement of the asset or liability at the net present value of the estimated future cash flows. The cash flow estimates for each credit program transaction reflect the actual structure of the instruments. For each of these instruments, the CDFI Fund estimates cash inflows and outflows related to the program over the estimated term of the instrument. Further, each cash flow estimate reflects the specific terms and conditions of the program, technical assumptions regarding the underlying assets, risk of default or other losses, and other factors as appropriate. The measurement of assets within these programs is primarily derived from inputs, which generally represent market data and, when such data is not available, management's best estimate of how a market participant would assess the asset's inherent risk.

The primary purpose of the FCRA is to measure the cost of federal credit programs, and to place the cost of such credit programs on a basis equivalent to other federal spending. The FCRA requires that the ultimate costs of a credit program be calculated, and the budgetary resources be obtained before incurring the direct loan obligations. The CDFI Fund calculates all direct loan subsidy estimates and re-estimates in accordance with OMB Circular A-11, *Preparation, Submission, and Execution of the Budget,* Section 185, *Federal Credit (OMB A-11, Section 185)*.

The CDFI Fund first predicts or estimates the future performance of direct loans when preparing the annual budget. The CDFI Fund subsequently re-estimates the data used for these budgetary estimates at September 30 to reflect changes in actual loan performance and actual interest rates in effect when the loans were issued. The re-estimated data reflects adjustments for market risks, asset performance, and other key variables and economic factors. The CDFI Fund uses the re-estimated data to report the adjustment to the cost of the direct loans disbursed and recognizes it within the *"Net Program Cost"* lines of the CDFI Program and CDFI BGP, respectively, on the Statements of Net Cost.

Cash flows associated with the CDFI Fund's credit programs generally include disbursements, repayments, repurchases, fees, recoveries, interest, borrowings from Treasury and the Federal Financing Bank (FFB), negative subsidy, and the subsidy cost received from the program accounts. The CDFI Fund draws loan-level data and assumptions used as the basis for cash flow model forecasts and program performance from widely available market sources, as well as information published by direct loan recipients. Key inputs and assumptions to the cash flow forecasts include, but are not limited to:

- Security characteristics such as unpaid principal balance, coupon rate, weighted-average loan age, credit rating, maturity date, principal and interest payment schedules, and performance of underlying collateral;
- Discount rate;
- CDFI Fund actions, as well as changes in legislation;
- Forecast principal and interest payments, late payments, prepayment rates and default rates;
- Historical pre-payments; and
- Default and recovery reports that Moody's and Standard and Poor's publish.

The recorded subsidy cost associated with the credit programs represents the difference between disbursed amounts and the net present value of future cash flows the CDFI Fund anticipates receiving. The subsidy allowance, as initially established by the subsidy cost, takes into consideration projected repayments and defaults, and the projected cost of borrowings. The CDFI Fund amortizes the allowance to reflect the difference between projected and actual financing costs. The liability associated with the accrued downward subsidy re-estimates is recognized within the *"Due to the General Fund"* line of the Balance Sheets.

CDFI Fund's actions, as well as changes in legislation, may impact estimated future cash flows and related subsidy costs. The CDFI Fund recognizes the cost or cost savings of a modification in subsidy costs when the terms of a program are modified. Workouts are actions taken to maximize repayments of existing credit programs, and the expected effects on cash flows are included in the original estimate and re-estimates of the subsidy cost. Subsidy costs are also impacted by re-estimates, which may occur as a result of updates to the original program subsidy cost estimates to reflect the actual cash flow, as well as changes in forecasts of estimated future cash flows associated with the credit program. These direct loans are presented on the Balance Sheets within the *"Loans Receivable*, *Net"* line. See Note 4, *"Loans Receivable, Net,"* for more information.

E. Property, Plant, & Equipment, Net

The CDFI Fund's Property, Plant & Equipment (PP&E), Net, assets comprise of internal-use software. The CDFI Fund follows the standards set forth in SFFAS 10, *Accounting for Internal Use Software,* in capitalizing costs incurred during the development stage (i.e., design of software configuration, coding, hardware installation, parallel processing testing), after management authorizes and commits to the software development projects. The CDFI Fund accumulates costs for developing internal-use software in work-in-development until the project is placed into service and the CDFI Fund successfully completes testing and final acceptances. Once completed, the CDFI Fund transfers the costs to depreciable property. The Fund amortizes the cost of internal-use software using the straight-line method over the estimated useful life, ranging from seven to ten years.

Pursuant to Treasury's guidance on the capitalization threshold range, the CDFI Fund established the capitalization threshold of $125,000 for internal-use software and $50,000 for other PP&E, as permitted by SFFAS 6, *Accounting for Property, Plant, and Equipment,* and SFFAS 10. The Fund management concluded that these thresholds are set at appropriate levels and do not materially distort the financial statements or affect their comparability from year to year.

As of September 30, 2024, the book value for CDFI Fund's internal-use software was $14.2 million and comprised of the cost in the amount of $37.9 million, net of accumulated amortization of $23.7 million. As of September 30, 2023, the book value for CDFI Fund's internal-use software was $12.4 million and comprised of the cost in the amount of $32.7 million, net of accumulated amortization of $20.3 million. The CDFI Fund recorded $3.4 million and $3.5 million of amortization expense for the FYE September 30, 2024 and September 30, 2023, respectively.

F. Advances and Prepayments

The CDFI Fund's distribution of grant awards may be used by the awardees to cover a part, or all, of anticipated qualified expenses. The CDFI Fund initially recognizes such disbursed amounts as advances, as the benefits of the cash outflow extend beyond the FY during which the program funding was appropriated and disbursed. The Fund subsequently reduces the advances by the reported and estimated amount of qualified expenses incurred by the grant award recipients during the FY. The outstanding balance of the advances, net of adjustments for the incurred grant expenses, at the FYE is reported within the *"Advances and Prepayments"* line on the Balance Sheets. The recipients' incurred expenses are reported on the Statements of Net Cost within *"Gross Costs"* line of the respective programs. Refer to the accounting policy entitled *"Risks, Uncertainties, and Use of Estimates"* and Note 5, *"Grant Award Advances"* for additional discussion related to the estimation of advances and grant award expenses.

G. Investments, Net

The CDFI Fund assists certain for-profit CDFI Program awardees by purchasing capital investments. Pursuant to P.L. 103-325, the CDFI Fund is restricted from owning more than 50 percent of the equity of awardees and from controlling their operations. These investments represent holdings in the form of non-voting equity securities and limited partnership interests.

Non-voting equity securities are reported at fair value with realized and unrealized holding gains or losses reported on the Statements of Net Cost depending on the net results. Investments with a readily determinable fair value are recorded at such fair value (see discussion below on *"Fair Value Measurement"*). Investments without readily determinable fair values are recorded using the measurement alternative at cost minus impairment, plus or minus subsequent adjustments for observable prices in orderly transactions for the identical or similar investment of the same issuer.

Limited partnership interests are carried in accordance with the equity method of accounting by recognizing the pro-rata share of investee's profit/loss through the Statements of Net Cost. A decline in the fair value of any investment below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value.

To determine if an impairment is other-than-temporary, the CDFI Fund considers whether: (1) it has the ability and intent to hold the investment until a market price recovery; and (2) evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the industry in which the investee operates. The impairment is charged to net cost and a new cost basis for the investment is established.

The CDFI Fund recognized no other-than-temporary impairment expense on these investments for the FYE September 30, 2024 and 2023, respectively.

H. Commitments and Contingencies

In accordance with SFFAS 5, *Accounting for Liabilities of the Federal Government*, the CDFI Fund recognizes material contingent liabilities meeting the following criteria:

- A past event or exchange transaction has occurred;
- A future cash outflow is probable; and
- A future cash outflow is measurable.

The estimated liability recorded is either a specific amount or within a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized. If no amount within the range is a better estimate than any other amount, the CDFI Fund recognizes the minimum amount in the range and discloses the range and a description of the nature of the contingency. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the obligation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

If one or more, but not all, of the above criteria for recognition are met, and there is a reasonable possibility of loss, the CDFI Fund will disclose, if material, the nature of the contingent liability, along with a range of possible loss, if estimable, and a description of the nature of the contingency. The CDFI Fund did not recognize any contingent liabilities as of September 30, 2024 and 2023, respectively.

I. Debt

Debt represents the CDFI Fund's borrowings payable to Treasury and the FFB that were incurred to fund direct loans made by the CDFI Fund and other aspects of permissible borrowing authority. The borrowings payable to Treasury are related to the unsubsidized portion of direct loans. Subsidies are costs incurred by the government over the entire life of the loan. The borrowings payable related to the FFB represent the principal loan balances disbursed under the CDFI BGP. Principal repayments to Treasury are required to be made based on the scheduled collections of loans receivable and are due September 30 of each year of maturity. Principal repayments to the FFB are made quarterly and semi-annually as collections are received by loan borrowers. Interest costs accrue as an expense when incurred and are reported as the *"Net Program Cost"* of the CDFI Program and CDFI BGP on the Statements of Net Cost. See Note 7, *"Debt,"* for more information and disclosures related to debt.

J. Revenues and Other Financing Sources

The CDFI Fund activities are primarily financed from the appropriations and GSE fee revenue. The appropriations used are recognized as a financing source on the Statements of Changes in Net Position at the time when the CDFI Fund: (i) determines that the grant recipient has met the requirements to be allowed to use the grant award amounts; (ii) accrues liabilities related to administrative expenses and internal-use software costs incurred; (iii) acquires an investment; or (iv) finances a direct loan, in part, with an initial direct loan subsidy.

The CDFI Fund receives fees from the GSEs, under the *Housing and Economic Recovery Act of 2008* (P.L. 110-289). Per statute, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. The CMF receives 35 percent of these allocations. The fees are recorded on an accrual basis, at their net realizable value, as they are considered recognizable and estimable. The reported accrual amounts are expected to be collected within one year and reported within the *"Accounts Receivable, Net"* line on the Balance Sheets. The GSE fees represent non-exchange revenue reported within *"GSE Fees and Other Non-Exchange Revenue"* on the Statements of Changes in Net Position.

During FY 2024, the CDFI Fund began receiving transfers of funds from Treasury's ECIP, per P.L. 116-260. As set out in the statute, Treasury is required to transfer all cash proceeds received in connection with these investments, including dividend and interest payments, and proceeds from the sale of investments to the CDFI Fund to be used to provide FA and TA. The ECIP cash transfers from Treasury represent a one-way flow of resources to the CDFI Fund. The CDFI Fund recognizes these transfers as a financing source in the amount equal to the cash proceeds received and reports them within the *"Transfers-In/Out without Reimbursement"* line on the Statements of Changes in Net Position.

As a component entity of Treasury, the CDFI Fund receives goods and services from other federal entities or other component entities within Treasury at no cost or at a cost less than the full cost. The costs of other entities that are not fully reimbursed by the CDFI Fund are reported within the *"Costs not Assigned to Programs"* line on the Statements of Net Cost and are offset by *"Imputed Financing Sources"* line on the Statements of Changes in Net Position.

The CDFI Fund also receives fees from the eligible CDFIs, per the *Small Business Jobs Act of 2010* (P.L. 211-240). Per the statute, the fees are payable monthly to the CDFI Fund based on the amount of the unpaid principal balance of the bond issue. The collected fees are used to reimburse Treasury for any administrative costs incurred by the CDFI BGP. These collected fees represent exchange revenue and are recorded within the *"Less: Earned Revenue"* line of the program on the Statements of Net Cost, while costs associated with the revenue collected are recorded within the "*Gross Costs*" line.

Additional revenue is earned from interest income on direct loans and undisbursed borrowings of funds held by Treasury. Interest income is recognized when earned and determined to be collectible and is recorded within the *"Less: Earned Revenue"* line of the associated program on the Statements of Net Cost.

Occasionally, the CDFI Fund receives dividends on its equity investments and may use those funds for operating expenses. Dividends are recognized when earned, which is usually when declared, and are recorded within the *"Less: Earned Revenue"* line of the CDFI Program on the Statements of Net Cost.

K. Custodial Revenue

The CDFI Fund custodial collections represent non-entity revenue and include cash collected primarily from recovered improper payments and other revenue. All amounts collected are transferred to the General Fund for operating purposes of the U.S. government. The CDFI Fund recognizes the custodial revenue in the period of collection and disposes of it in the same reporting period. The custodial activity in FYE September 30, 2024 and 2023 was immaterial.

L. Net Cost

Net cost consists of gross costs less earned revenue. The CDFI Fund presents its gross costs (FA and administrative expenses), earned revenue and net costs by major program categories. Administrative and imputed costs that cannot be reasonably allocated to a specific program are reported within the *"Costs not Assigned to Programs"* line on the Statements of Net Cost.

M. Retirement Plans

The CDFI Fund employees participate in the Federal Employees' Retirement System (FERS). The FERS was established by the enactment of the *Federal Employees' Retirement System Act of 1986* (P.L. 99-335). Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983.

Employees hired prior to January 1, 1984, were provided an opportunity to join both FERS and Social Security or remain in the Civil Service Retirement System. The CDFI Fund recognized the cost for FERS and Social Security contributions in the amount of $2.5 million and $2.2 million for the FYE September 30, 2024 and September 30, 2023, respectively.

For all employees, a Thrift Savings Plan (TSP) account is automatically established, and the employee can have up to a predetermined maximum amount withheld from their base salary, which is deposited into their TSP account. The CDFI Fund makes matching contributions of up to four percent for FERS employees who contribute to their TSP account. Additionally, a one percent contribution is automatically made to TSP by the CDFI Fund for each employee. The CDFI Fund the cost of TSP contributions in the amount of $0.7 million and $0.6 million for the FYE September 30, 2024 and September 30, 2023, respectively.

The CDFI Fund reports the costs associated with retirement plans within the *"Gross Costs"* line of their respective programs on the Statements of Net Cost. When these costs cannot be reasonably allocated to a particular program, the CDFI Fund reports these costs within the *"Costs not Assigned to Programs"* line on the Statements of Net Cost.

N. Accrued Annual Leave

Annual leave and compensatory leave are accrued as a liability when earned by the employee, and the accrual is reduced as leave is taken. The balance in this accrued liability account is computed using current pay rates. Sick leave and other types of non-vested leave are expensed as the leave is taken and reported within the *"Gross Costs"* line of their respective programs on the Statements of Net Cost. When these costs cannot be reasonably allocated to a particular program, the CDFI Fund reports the costs associated with accrued annual leave within the *"Costs not Assigned to Programs"* line on the Statements of Net Cost. See Note 8, *"Other Liabilities,"* for more information.

O. Net Position

Unexpended Appropriations

Unexpended Appropriations represents the amount of spending authorized, as of September 30, that is unliquidated or unobligated and has not lapsed, been rescinded, or withdrawn. Appropriations remain available for upward or downward adjustment of obligations until canceled. The CDFI Fund reports adjustments related to unexpended appropriations, such as cancelations of expired funds or rescissions, on the Statements of Changes in Net Position.

Cumulative Results of Operations

Cumulative Results of Operations represents the net results of the CDFI Fund's operations not funded by appropriations, non-exchange revenues, and other financing sources, since inception through the end of the fiscal year. Also included as a reduction in Cumulative Results of Operations are accruals for which the related expenses require funding from future appropriations, revenues, and assessments. These future funding requirements include, among others, credit reform cost re-estimates, and expenses for contingent liabilities, if applicable.

P. Funds from Dedicated Collections

The CDFI Fund accounts for revenues and other financing sources for Funds from Dedicated Collections separately from other funds within CDFI Fund's financial statements. Funds collected under the CMF, the only CDFI Fund program financed by funds from dedicated collections, are composed entirely of restricted funds from the collection of GSE fees. Under the federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the CMF. Administrative expenses are covered by the GSE fees collected, and, as per the federal statute, amounts in the CMF are made available to the Secretary to carry out a competitive grant program. See Note 10, *"Funds from Dedicated Collections,"* for more information.

Q. Appropriations and Other Budgetary Activity

The CDFI Fund receives funding through appropriations from the U.S. Congress, collections of GSE fees and transfers of the ECIP cash proceeds from Treasury. The CDFI Fund receives appropriations to be used for FA awards, within statutory limits, and annual appropriations for operating expenses. Incurred obligations of appropriations are recorded when the CDFI Fund takes actions that require the CDFI Fund to make payments to the public or another federal entity. Based on the statute, case law and relevant guidance, congressionally appropriated funds used for administrative matters, such as employment or service contracts, become obligated when the CDFI Fund enters into a written agreement with a third party. Appropriated funds that support direct loan and equity awards become obligated when the relevant parties enter into a fully executed agreement that includes the amount, terms of repayment, and other key aspects of the arrangement. Appropriated funds, GSE fees collected, and ECIP cash proceeds that support the CDFI Fund competitive grant awards become obligated when the CDFI Fund issues a Notice of Award. All CDFI Fund liabilities are covered by budgetary resources except for amounts related to unfunded leave. See Note 8, *"Other Liabilities,"* for more information.

R. Tax-Exempt Status

As a component of Treasury, which is an agency of the U.S. government, the CDFI Fund is exempt from all income taxes imposed by any governing body, whether it is a federal, state, commonwealth, local, or foreign government. Accordingly, no provision for income taxes is recorded.

S. Fair Value Measurement

Fair value is a market-based measurement. For some investments, observable market transactions or market information may be available. For other investments, observable market transactions and market information may not be available. However, the objective of a fair value measurement in both cases is to estimate the price at which an orderly transaction to sell an asset or to transfer a liability between market participants at the measurement date occurs under current market conditions. The CDFI Fund applies the provisions for fair value measurements of investments that are recognized or disclosed at fair value in the financial statements. The fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the CDFI Fund has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The inputs or methodology used for valuing assets and liabilities are not necessarily indicative of the risks associated with those assets and liabilities.

See Note 6*, "Investments, Net*,*"* for more information about these financial assets and related fair value measurements.

T. Risks, Uncertainties, and Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Items subject to such estimates include investments recorded at fair value, allowance for subsidy related to the FCRA, accruals of grant award expenses, and accruals of revenues for fees from GSEs, comprised of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

The CDFI Fund faces certain risks and uncertainties as a result of its direct loan programs. Credit risk is the potential, no matter how remote, for financial loss from a failure of a borrower or counterparty to perform in accordance with underlying contractual obligations. The CDFI Fund takes on possible credit risk when it makes direct loans to non-federal entities under the CDFI Program and CDFI BGP, as well as undisbursed direct loans and funding commitments related to these programs.

The CDFI Fund derives credit program receivables using credit reform modeling, which is subject to the use of estimates and forecasts that have inherent uncertainty. Refer to the accounting policy entitled *"Loans Receivable, Net"* and Note 4, *"Loans Receivable, Net,"* for additional information.

At each quarter-end, the CDFI Fund records a GSE fee revenue accrual based on the fees estimated from the GSEs' Form 10-Q and Form 10-K disclosures. The receivable is subsequently reduced when the GSE fee proceeds are received. Refer to the accounting policy entitled *"Revenues and Other Financing Sources"* and Note 3, *"Accounts Receivable, Net,"* for discussion related to the GSE fee revenue accruals.

For all grant programs administered by the CDFI Fund, with the exception of the BEA Program, which is structured as a reimbursement program, the CDFI Fund makes grant award payments for anticipated qualified expenses and recognizes them as advances. To adjust the advances for eligible expenses that grantees have incurred as of the reporting date, the CDFI Fund relies upon a combination of the actual use of award reported by grantees in their *Standard Form 425:*

Federal Financial Report (SF-425) and estimates. For the FYE September 30, 2024, the CDFI Fund leveraged the SF-425 reports to determine adjustments to advances for eligible grant expenses incurred for the CDFI Program, NACA Program, CDFI RRP, CDFI ERP, SDL Program, and the CMF. For FYE September 30, 2023, the CDFI Fund relied on the SF-425 reports to determine advance adjustments for all the above programs, except the CDFI ERP. In the case of the CDFI ERP, the use of SF-425 reports was not feasible in FY 2023 as the FA agreements and the initial payments to the grantees were completed towards the FYE. The CDFI Fund used a straight-line method to estimate the CDFI ERP accrued grant award expenses over the period of performance and prorated the expense amount attributable to the FYE September 30, 2023. See Note 5, *"Grant Award Advances,"* for more information on the reported and estimated grant expenses and related advances.

Amounts based on estimates involve numerous assumptions subject to varying and potentially significant degrees of judgment and uncertainty. Therefore, accounting estimates and assumptions may change over time and actual results could differ materially from those estimates.

U. Disclosure Entities and Related Parties

SFFAS 47, *Reporting Entity*, requires that the financial statements reflect the balances and activities of consolidation entities, including Treasury component entities, meeting the following "principles for inclusion" when considered as a whole: *(i) the entity is included in the Budget of the U.S. (also known as the President's Budget), (ii) the U.S. government holds "majority ownership interest," (iii) the U.S. government has "control with risk of loss or expectation of benefit," or (iv) it would be misleading to exclude such entity.* SFFAS 47 also provides guidance for assessing whether an organization meeting the inclusion principles is reported as a disclosure entity or related party.

Disclosure entities and related parties are not considered components of the CDFI Fund reporting entity and, thus, are only disclosed in the notes to the CDFI Fund financial statements, as applicable. Using the principles prescribed in SFFAS 47, no entities were deemed disclosure entities or related parties as of September 30, 2024 and 2023, respectively.

V. Change in Accounting Principle

The CDFI Fund adopted the provisions of the new accounting pronouncement SFFAS 54, *Leases*. SFFAS 54 is effective as of October 1, 2023, and is prospective. Starting in FY 2024, the CDFI Fund is required to report a right-to-use lease asset and a lease liability for non-intra-governmental, non-short-term contracts or agreements, when the CDFI Fund has the right to obtain or control access to economic benefits or services from an underlying property, plant, and equipment asset for a period of time in exchange for consideration under the terms of the contract or agreement. The CDFI Fund had no material leases as of September 30, 2024.

In accordance with SFFAS 62, *Transitional Amendment to SFFAS 54*, the CDFI Fund has elected the accommodation period through the fiscal year ending September 30, 2026, to prospectively apply the provisions of SFFAS 54, *Leases*, to lease components of new or modified contracts or agreements meeting the embedded lease eligibility criteria.

2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury is increased: (i) by receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; (ii) when transfers and reimbursements from other federal agencies are received, including transfers of investment proceeds from Treasury's ECIP; and (iii) by collection of GSE fees which represent restricted funds and are used to finance the CMF. Fund Balance with Treasury can also be increased by amounts collected and credited to appropriation or fund accounts.

Fund Balance with Treasury is reduced when: (i) disbursements are made to pay liabilities, purchase assets, goods, and services or finance authorized financial award and purchase commitments; (ii) expired appropriations are canceled, or the CDFI Fund makes transfers and reimbursements to other federal entities, non-federal entities, or to the General Fund; and (iii) sequestration or rescission of appropriations.

As of September 30, 2024 and 2023, the status of the Fund Balance with Treasury consisted of the following:

(in thousands)		2024		2023
Unobligated Balance – Available	$	**459,769**	$	735,403
Unobligated Balance – Not Available		**113,957**		188,284
Obligated Balance Not Yet Disbursed		**1,806,928**		1,397,177
Subtotal		**2,380,654**		2,320,864
Adjustment for Borrowing Authority		**(1,137,217)**		(777,351)
Other Adjustments		**8,713**		10,942
Total Status of Fund Balance with Treasury	**$**	**1,252,150**	$	1,554,455

The use of unobligated balances is restricted based on annual legislation requirements or enabling authorities. Funds are presumed to be available for only one FY unless otherwise noted in the annual appropriation language.

Portions of the *Unobligated Balance - Not Available*, as shown on the Statement of Budgetary Resources, include amounts appropriated in prior fiscal years that have expired and are not available to fund new obligations, as well as unapportioned amounts still requiring budget authority in order to become available to fund new obligations. However, the CDFI Fund may use expired funds for upward and downward adjustments for existing obligations in future years.

The *Obligated Balance Not Yet Disbursed* represents amounts designated for payment of goods and services the CDFI Fund has ordered but has not received, or goods and services the Fund received but for which payment has not yet been made. In those situations, the restricted funding will be temporarily unavailable until the reasons for the restriction have been satisfied or legislation has been enacted to remove the restriction.

The decrease in the *Unobligated Balance - Available* was primarily due to new obligations incurred in FY 2024 related to the CDFI Program, NACA Program, and CMF awards, which was also the main driver of the increase in the *Obligated Balance Not Yet Disbursed*. The changes in the *Unobligated Balance – Not Available* were mainly due to reduced GSE fee collections.

Collected GSE fees remain unavailable until the CDFI Fund receives formal authority from OMB to make them available for new obligations.

Since the following line items are either a component of Fund Balance with Treasury or post to budgetary status accounts, adjustments are required to reconcile the budgetary status to the non-budgetary Fund Balance with Treasury as reported on the Balance Sheets:

- Adjustments for Borrowing Authority – Borrowing authority is in budgetary status reported on the Statements of Budgetary Resources, but not in the Fund Balance with Treasury because the CDFI Fund credit programs use borrowing authority to finance loans. The changes in *Adjustments for Borrowing Authority* were primarily related to the increase in the CDFI BGP borrowing authority to fund direct loan originations. Refer to Note 11, *"Statement of Budgetary Resources,"* for additional information.

- Other Adjustments – Other adjustments represent a temporary reduction of the new budget authority related to transfers of the ECIP cash proceeds, GSE fees, and CDFI BGP administrative fees subject to sequestration.

3. Accounts Receivable, Net

Accounts Receivable, Net primarily represents the GSE fees that the CDFI Fund accrued but had not yet collected as of September 30. As of September 30, 2024 and 2023, the CDFI Fund reported an accrued GSE fees receivable balance of $81.5 million and $80.4 million, respectively. Accrued GSE fees receivable is expected to be collected within one year. The CDFI Fund has not established an allowance balance for uncollectible amounts as it determined that the risk of not collecting the estimated GSE fees is remote.

In FY 2024 and 2023, the CDFI Fund collected $105.5 million and $190.8 million in GSE fees, respectively. The decrease in the collected GSE fees was primarily due to a decrease in new business purchases by the GSEs throughout their FYE December 31, 2023.

4. Loans Receivable, Net

The CDFI Fund administers two credit programs, the CDFI BGP and CDFI Program, designed to provide funding and assistance to CDFIs through direct loans. The related net direct loan receivables, including loan principal repayments, interest, and fees are treated as exchange transactions. Net loans receivable or the value of assets related to direct loans is not the same as expected proceeds from selling the loans. Net loans receivable represents the present value of their estimated net cash inflows discounted at the average rate of marketable Treasury securities of similar maturity. Expected sale proceeds reflect their estimated fair value. Refer to Note 1, *"Summary of Significant Accounting Policies,"* accounting policy entitled *"Loans Receivable, Net"* for additional information. The CDFI Fund did not disburse any direct loans prior to the FCRA enaction.

The CDFI Fund presents the direct loans on the Balance Sheets within the line item, *"Loans Receivable, Net."* The balances of these direct loan programs, along with their subsidies, as of September 30, 2024 and 2023, consisted of the following:

(in thousands)	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	2024 Direct Loans, Net
CDFI BGP	$ **1,324,235**	$ **5,036**	$ **57,048**	$ **1,386,319**
CDFI Program	**50,292**	**459**	**(5,603)**	**45,148**
Total	$ **1,374,527**	$ **5,495**	$ **51,445**	$ **1,431,467**

(in thousands)	Loans Receivable, Gross	Interest and Fees Receivable	Allowance for Subsidy Cost (Present Value)	2023 Direct Loans, Net
CDFI BGP	$ 1,242,211	$ -	$ 58,678	$ 1,300,889
CDFI Program	54,973	475	(6,762)	48,686
Total	$ 1,297,184	$ 475	$ 51,916	$ 1,349,575

The negative or positive allowance for subsidy costs as of September 30, 2024 and 2023 reflects the CDFI Fund's projection, as of that date, that these programs would result in a net revenue or net cost, respectively, after accounting for principal loan repayments, interest, and fees.

The total direct loans disbursements for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)	2024 Total	2023 Total
CDFI BGP	$ **150,720**	$ 168,859
CDFI Program	**323**	2,216
Total	$ **151,043**	$ 171,075

The subsidy cost by component for new direct loans disbursed under these programs, for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)	Interest Differential	Defaults	2024 Total
CDFI BGP	$ **(7,723)**	$ **250**	$ **(7,473)**
CDFI Program	**4**	**26**	**30**
Total	$ **(7,719)**	$ **276**	$ **(7,443)**

(in thousands)	Interest Differential	Defaults	2023 Total
CDFI BGP	$ (7,982)	$ 608	$ (7,374)
CDFI Program	30	172	202
Total	$ (7,952)	$ 780	$ (7,172)

The CDFI Fund performed an annual financial statement re-estimate of its credit program's cost as of September 30, 2024 and 2023. These re-estimates resulted in a net downward re-estimate, or a decrease in the costs of the programs, which consisted of the following:

(in thousands)	Interest Rate Re-estimate	Technical Re-estimate	2024 Total
CDFI BGP	**$ (50)**	**$ (2,513)**	**$ (2,563)**
CDFI Program	**499**	**(741)**	**(242)**
Total	**$ 449**	**$ (3,254)**	**$ (2,805)**

(in thousands)	Interest Rate Re-estimate	Technical Re-estimate	2023 Total
CDFI BGP	$ (18,012)	$ 16,534	$ (1,478)
CDFI Program	-	(863)	(863)
Total	$ (18,012)	$ 15,671	$ (2,341)

The CDFI BGP's total downward re-estimates in FY 2024 and FY 2023 were driven by changes in performance assumptions, actual performance to date, and actual program funding cost. In both reporting periods, performance assumptions anticipated an overall revenue to the program due to lower default projections in future years' cash flows. Consistent with the guidance in OMB A-11, Section 185, the CDFI Fund refined its methodology for calculating the interest rate component of the subsidy cost re-estimate. The FY 2024 interest rate re-estimate was calculated using a modified version of cash flows projected during the budget formulation to account for differences in the benchmark Treasury rate between the budget formulation and loan disbursement. The FY 2023 interest rate re-estimate was calculated based on the originally projected cash flows updated only for changes in actual interest rates.

The CDFI Program's downward re-estimates in FY 2024 and FY 2023 were primarily due to improvements in the actual loan performance and borrower financial position as well as expectations of lower default rates. No interest rate re-estimate was calculated for the CDFI Program as of September 30, 2023 as the cohort had not been substantially disbursed as of that date.

The total subsidy expense for direct loans, including the interest differential, defaults, and re-estimates for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)	2024 Total	2023 Total
CDFI BGP	**$ (10,036)**	$ (8,852)
CDFI Program	**(212)**	(661)
Total	**$ (10,248)**	$ (9,513)

The total of each program's subsidy is calculated into a percentage, or subsidy rate. The subsidy of the direct loans obligated in a cohort for the FYE September 30, 2024 and 2023 consisted of the following:

(in thousands)	Interest Differential	Defaults	2024 Total
CDFI BGP	**(4.35)%**	**0.26%**	**(4.09)%**
CDFI Program[(1)]	**1.28%**	**7.40%**	**8.68%**

(1) *No direct loans were obligated under the CDFI Program in FY 2024.*

(in thousands)	Interest Differential	Defaults	2023 Total
CDFI BGP	(4.76)%	0.08%	(4.68)%
CDFI Program	1.34%	7.74%	9.08%

The CDFI BGP subsidy rates are calculated based on the evaluation of actual direct loan terms and subject to the OMB review. The CDFI Program's subsidy rates are consistent with those published in the Federal Credit Supplement to the current year's budget.

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes re-estimates.

The reconciliation of the subsidy cost allowance for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)	CDFI BGP	CDFI Program	2024 Total
Beginning Balance	**$ (58,678)**	**$ 6,762**	**$ (51,916)**
Subsidy Cost for Disbursements	**(7,473)**	**30**	**(7,443)**
Loans Written Off	**(2,297)**	**(677)**	**(2,974)**
Adjustment for Subsidy Allowance Amortization	**13,963**	**(270)**	**13,693**
Balance, Ending, Before Re-estimates	**(54,485)**	**5,845**	**(48,640)**
Subsidy Re-estimates	**(2,563)**	**(242)**	**(2,805)**
Balance, End of Period	**$ (57,048)**	**$ 5,603**	**$ (51,445)**

(in thousands)	CDFI BGP	CDFI Program	2023 Total
Beginning Balance	$ (48,728)	$ 7,580	$ (41,148)
Subsidy Cost for Disbursements	(7,374)	202	(7,172)
Adjustment for Subsidy Allowance Amortization	(1,098)	(157)	(1,255)
Balance, Ending, Before Re-estimates	(57,200)	7,625	(49,575)
Subsidy Re-estimates	(1,478)	(863)	(2,341)
Balance, End of Period	$ (58,678)	$ 6,762	$ (51,916)

The CDFI Fund's direct loan program administrative expenses recognized for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)	2024 Total	2023 Total
CDFI BGP	**$ 3,075**	$ 1,718
CDFI Program	**300**	300
Total	**$ 3,375**	$ 2,018

5. Grant Award Advances

The reconciliation of the CDFI Fund's grant award advance balances based on the grant disbursements and incurred grant expenses as reported by program for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)		Beginning Balance		Grant Disbursements		Grant Expenses Incurred		2024 Grant Award Advances
CDFI ERP	$	**1,132,044**	$	**302,087**	$	**(1,068,370)**	$	**365,761**
CMF		**304,652**		**316,735**		**(258,001)**		**363,386**
CDFI Program		**142,957**		**16,275**		**(132,642)**		**26,590**
SDL Program		**5,745**		**17,893**		**(11,605)**		**12,033**
CDFI RRP		**40,555**		**3,075**		**(40,152)**		**3,478**
NACA Program		**9,534**		**6,324**		**(13,811)**		**2,047**
Total	$	**1,635,487**	$	**662,389**	$	**(1,524,581)**	$	**773,295**

(in thousands)		Beginning Balance		Grant Disbursements		Grant Expenses Incurred(1)		2023 Grant Award Advances
CDFI ERP	$	-	$	1,234,957	$	(102,913)	$	1,132,044
CMF		396,876		115,891		(208,115)		304,652
CDFI Program		115,233		198,346		(170,622)		142,957
SDL Program		5,572		10,610		(10,437)		5,745
CDFI RRP		206,136		51,298		(216,879)		40,555
NACA Program		9,504		19,539		(19,509)		9,534
Total	$	733,321	$	1,630,641	$	(728,475)	$	1,635,487

(1) *The CDFI ERP grant award expense represents an estimate of the advance amount used by recipients for eligible expenses incurred in FY 2023. It excludes $2.9 million due and payable to the CDFI ERP recipients as of September 30, 2023. Refer to Note 8, "Other Liabilities."*

6. Investments, Net

Investments, Net includes non-federal, non-voting common stock investment holdings in for-profit CDFI Program awardees, as well as the CDFI Fund's limited partnership interests.

The table below presents the fair value measurements hierarchy classification by investment type as of September 30, 2024 and 2023:

(in thousands)		Level 1		Level 2		Level 3		2024 Total
Non-Voting Equity Securities	$	**32,504**	$	**-**	$	**2,800**	$	**35,304**
Limited Partnership Interests		**-**		**-**		**160**		**160**
Total Fair Value Measurements	$	**32,504**	$	**-**	$	**2,960**	$	**35,464**

(in thousands)		Level 1		Level 2		Level 3		2023 Total
Non-Voting Equity Securities	$	33,458	$	-	$	2,800	$	36,258
Limited Partnership Interests		-		-		307		307
Total Fair Value Measurements	$	33,458	$	-	$	3,107	$	36,565

7. Debt

The CDFI Fund borrows from the FFB and Treasury to fund the disbursement of new direct loans and related subsidy re-estimates associated with the CDFI BGP and CDFI Program, respectively. Outstanding debt at September 30, 2024 and 2023 had effective interest rates that ranged from 1.33 percent to 5.50 percent. Maturity dates ranged from September 30, 2030 to September 30, 2058 for outstanding debt at September 30, 2024, and from September 30, 2024 to September 30, 2058 for outstanding debt at September 30, 2023.

The debt of the CDFI Fund, as of September 30, 2024 and 2023 consisted of the following:

(in thousands)		Beginning Balance		Borrowings		Repayments		2024 Ending Balance
Debt Owed to the Federal Financing Bank	$	**1,242,211**	$	**150,720**	$	**(68,695)**	$	**1,324,236**
Debt Owed to Treasury other than the FFB		**108,118**		**15,230**		**(13,053)**		**110,295**
Total Debt	$	**1,350,329**	$	**165,950**	$	**(81,748)**	$	**1,434,531**

(in thousands)		Beginning Balance		Borrowings		Repayments		2023 Ending Balance
Debt Owed to the Federal Financing Bank	$	1,149,112	$	168,859	$	(75,760)	$	1,242,211
Debt Owed to Treasury other than the FFB		105,137		18,496		(15,515)		108,118
Total Debt	$	1,254,249	$	187,355	$	(91,275)	$	1,350,329

The increase in the outstanding debt balance of $84.2 million was driven by the increase in the CDFI BGP related borrowings, net of repayments, of $87.1 million, partially offset by the decrease in the CDFI Program related borrowings, net of repayments, of $2.9 million.

The CDFI Fund accrues interest expense on the outstanding debt and pays it annually on September 30. For the FYE September 30, 2024 and 2023, the CDFI Fund recorded interest expense in the total amount of $36.6 million and $38.4 million, respectively, related to this debt.

All debt and related interest costs are intra-governmental and covered by budgetary resources. See additional details on borrowing authority in Note 11, *"Statement of Budgetary Resources."*

8. Other Liabilities

The *"Other Liabilities"* line item on the Balance Sheets consists of liabilities that are covered by, and not requiring budgetary resources. All the CDFI Fund's *"Other Liabilities"* as of September 30, 2024 and 2023 represented current liabilities and consisted of the following:

(in thousands)		2024		2023
Intra-Governmental				
Accounts Payable	**$**	**447**	$	307
Other Accrued Liabilities		**276**		410
Total Intra-Governmental	**$**	**723**	$	717
Other Than Intra-Governmental				
Accounts Payable	**$**	**222**	$	213
Federal Employee Benefits Payable		**26**		36
Unfunded Leave(1)		**1,350**		1,189
Accrued Funded Payroll and Leave		**341**		767
Other Liabilities With Related Budgetary Obligations(2)		**39,795**		72,859
Total Other Than Intra-Governmental	**$**	**41,734**	$	75,064

(1) *Unfunded Leave represents the only liability not covered by budgetary resources.*
(2) *Other Liabilities With Related Budgetary Obligations represent payments due and payable to grant award recipients. As of September 30, 2024, the balance represents grant award payments due and payable to the BEA Program recipients. Of $72.9 million in payments due and payable as of September 30, 2023, $70.0 million and $2.9 million are related to the BEA Program and CDFI ERP grant awards, respectively.*

As of September 30, 2024 and 2023, the CDFI Fund did not have any outstanding non-current other liabilities.

9. Commitments

Grant Award Commitments

The CDFI Fund's grant award commitments represent unpaid and prepaid grant award amounts that were obligated by the CDFI Fund management. Unpaid grant award commitments are not considered liabilities at year-end due to awardees not meeting the conditions required for payments as of September 30 (refer to Note 8, *"Other Liabilities,"* for additional information). Unpaid and pre-paid grant award commitments totaled $1.4 billion and $2.2 billion as of September 30, 2024 and 2023, respectively. Refer to Note 11, *"Statement of Budgetary Resources,"* for additional information.

CDFI BGP Commitments

CDFI BGP commitments are related to undisbursed direct loan amounts. These commitments totaled $1.1 billion and $740.3 million as of September 30, 2024 and 2023, respectively. Actual disbursements are subject to borrowers satisfying certain conditions. Funding for such loans is covered by the CDFI Fund's established borrowing authority. Refer to Note 11, *"Statement of Budgetary Resources,"* for additional information.

Direct Loan Subsidy Commitments

Direct loan subsidy commitments of $49.5 million and $36.6 million as of September 30, 2024 and 2023, respectively, relate to the financing account subsidy for undisbursed direct loans under the CDFI BGP and CDFI programs.

Purchase Commitments

Purchase commitments of $10.8 million and $11.9 million as of September 30, 2024 and 2023, respectively, relate to the remaining obligated portion of contracts, and purchase orders related to goods and services not yet received.

Economic Mobility Corps (EMC) Commitments

Commitments of $2.1 million and $3.0 million as of September 30, 2024 and 2023, respectively, were related to the EMC. Funding for the EMC was enacted through P.L. 116-260 to be operated in conjunction with the Corporation for National and Community Service. The EMC places national service members at Certified CDFIs to enhance their capacity to provide financial literacy, financial planning, budgeting, saving, and other financial counseling activities in distressed and underserved areas.

10. Funds from Dedicated Collections

The CMF is the only CDFI Fund program financed by funds from dedicated collections to support the CDFI Fund's core community development program activities. The total assets, total liabilities, net position, and net cost of operations related to the CMF activities as of and for the FYE September 30, 2024 and 2023, consisted of the following:

(in thousands)		2024		2023
BALANCE SHEETS				
ASSETS				
Intra-Governmental:				
Fund Balance with Treasury	**$**	**424,982**	$	639,105
Total Intra-Governmental		**424,982**		639,105
Other than Intra-Governmental:				
Accounts Receivable, Net		**81,500**		80,400
Property, Plant & Equipment, Net		**2,302**		1,741
Advances and Prepayments		**363,386**		304,652
Total Other than Intra-Governmental		**447,188**		386,793
Total Assets	**$**	**872,170**	$	1,025,898
LIABILITIES				
Intra-Governmental:				
Other Liabilities	**$**	**9**	$	21
Total Intra-Governmental Liabilities		**9**		21
Other than Intra-Governmental:				
Other Liabilities		**261**		160
Total Other than Intra-Governmental		**261**		160
Total Liabilities		**270**		181
NET POSITION				
Cumulative Results of Operations:				
Cumulative Results of Operations		**871,900**		1,025,717
Total Cumulative Results of Operations		**871,900**		1,025,717
Total Net Position		**871,900**		1,025,717
Total Liabilities and Net Position	**$**	**872,170**	$	1,025,898
STATEMENTS OF NET COST				
Gross Costs	**$**	**260,388**	$	210,006
Less: Earned Revenue		**-**		-
Net Cost of Operations	**$**	**260,388**	$	210,006

All amounts on the Statements of Changes in Net Position "Funds from Dedicated Collections" columns represent the CMF activities.

11. Statement of Budgetary Resources

The Statement of Budgetary Resources presents information about the total budgetary resources available to the CDFI Fund and the status of those resources.

Net Adjustments to Unobligated Balance, Brought Forward, October 1

Net adjustments to unobligated balance, brought forward, October 1 as of September 30, 2024 and 2023 consisted of the following:

(in thousands)		2024		2023
Unobligated Balance, Brought Forward From Prior Year	**$**	**923,687**	$	2,421,690
Adjustments to Budgetary Resources Made During Current Year:				
Downward Adjustments of Prior Year Undelivered Orders		**2,282**		2,461
Downward Adjustments of Prior Year Delivered Orders		**130**		137
Other Adjustments		**(4,118)**		(3,350)
Unobligated Balance From Prior Year Budget Authority, Net (Discretionary and Mandatory)	**$**	**921,981**	$	2,420,938

The decrease in *Unobligated Balance, Brought Forward From Prior Year Budget Authority, Net* was primarily due to the FY 2023 obligation activity related to the CDFI ERP grant awards.

Undelivered Orders

Undelivered orders represent goods and services ordered and obligated which have not been received. This includes any orders for which the CDFI Fund has paid in advance, but for which delivery or performance has not yet occurred.

Undelivered orders as of September 30, 2024 and 2023 consisted of the following:

(in thousands)		Federal		Non-Federal		2024 Total		Federal		Non-Federal		2023 Total
Unpaid	**$**	**5,654**	**$**	**1,758,317**	**$**	**1,763,971**	$	6,716	$	1,281,206	$	1,287,922
Paid		**-**		**773,295**		**773,295**		-		1,635,487		1,635,487
Total	**$**	**5,654**	**$**	**2,531,612**	**$**	**2,537,266**	$	6,716	$	2,916,693	$	2,923,409

The increase in *Undelivered Orders - Unpaid* as of September 30, 2024, was primarily due to the increase in the CDFI BGP direct loan commitments and grant award amounts obligated for FA programs. The decrease *in Undelivered Orders - Paid* as of September 30, 2024, primarily reflects the use of grant awards related to Emergency Support Programs by recipients for eligible costs incurred in response to the pandemic. Refer to Note 9, *"Commitments,"* for additional information.

Terms of Borrowing Authority

The CDFI Fund has permanent indefinite borrowing authority with the FFB to subsidize direct loans under the CDFI BGP. The unsubsidized portions of the CDFI Program direct loans and the negative subsidy portions of the CDFI BGP represent borrowings payable to Treasury. OMB A-11, Section 185 defines repayment requirements. Interest expense due is calculated based on the beginning balance of borrowings outstanding and the borrowings/repayments activity that occurred during the fiscal year. Undisbursed borrowings earn interest at the same rate as the financing account pays on debt owed to Treasury and the FFB. In the event that principal and interest collections exceed the interest expense due, the CDFI Fund receives the excess payment. If principal and interest do not exceed the interest expense due, the CDFI Fund will borrow the difference. The CDFI Fund makes periodic principal repayments based on the analysis of cash balances and future disbursement needs. Refer to Note 7, *"Debt,"* for additional information.

The CDFI Fund's available borrowing authority and related changes in available borrowing authority as of September 30, 2024 and 2023, consisted of the following:

(in thousands)		2024		2023
Beginning Balance	**$**	**777,351**	$	639,233
Current Authority[1]		**525,817**		325,473
Borrowing Authority Converted to Cash		**(165,951)**		(187,355)
Ending Balance	**$**	**1,137,217**	$	777,351

(1) The increase in borrowing authority was primarily related to higher CDFI BGP direct loan commitments.

Reconciliation of the President's Budget

The FY 2026 Budget of the U.S. (also known as the President's Budget), with actual numbers for FY 2024, was not published at the time that these financial statements were issued. The FY 2026 President's Budget is expected to be published by OMB in late March 2025, and will be available from the U.S. Government Publishing Office. The FY 2025 President's Budget was reconciled to the CDFI Fund's Statement of Budgetary Resources amounts reported for FY 2023. The only differences between the two documents were due to rounding.

Legal Arrangements Affecting Use of Unobligated Balances

The use of unobligated balances is restricted based on annual legislation requirements or enabling authorities. Funds are presumed to be available for only one FY unless otherwise noted in the annual appropriation language. Unobligated balances in unexpired CDFI Fund account fund symbols are available in the next FY for new obligations unless some restrictions have been placed on those funds by law. In those situations, the restricted funding will be temporarily unavailable until the reasons for the restriction have been satisfied or legislation has been enacted to remove the restriction.

Amounts in expired CDFI Fund account fund symbols are not available for new obligations, but may be used to make adjustments to reflect, and make disbursements to liquidate, obligations that were created before the budgetary authority expired.

12. Reconciliation of Net Cost of Operations to Budgetary Outlays, Net (Budget to Accrual Reconciliation)

The Reconciliation of Net Cost of Operations to Budgetary Outlays, Net (referred to as "Net Outlays" for purposes of this note) depicts the difference between proprietary information and budgetary accounting information for the CDFI Fund. Proprietary financial accounting information is intended to depict the U.S. government's financial operations and financial position presented on an accrual basis in accordance with GAAP, which includes the recognition of assets and liabilities for which collections and payment, respectively, have or have not been made. In contrast, budgetary accounting information is used for planning and control purposes and includes net outlays that reflect both the receipt and use of cash, as well as reporting of the federal deficit. The reconciliation of Net Cost (presented on an accrual basis) and Net Outlays (presented on a budgetary basis) reflects the relationship between proprietary accounting and budgetary information. The reconciliation serves not only to identify costs paid in the past and those that will be paid in the future, but also to assure integrity between financial and budgetary accounting.

For the FYE September 30, 2024 and 2023, the Reconciliation of Net Cost of the CDFI Fund's Operations to CDFI Fund's Outlays, Net consisted of the following:

(in thousands)	Intra-Governmental	Other Than Intra-Governmental	2024 Total
Total Net Cost of CDFI Fund Operations	**$ 51,234**	**$ 1,550,588**	**$ 1,601,822**
Components of Net Operating Cost Not Part of Budgetary Outlays:			
Internal-Use Software Amortization Expenses (Note 1.E)	**-**	**(3,354)**	**(3,354)**
Year-end Credit Reform Subsidy Accrual Re-Estimates	**-**	**2,805**	**2,805**
Adjustments to Prior Year Credit Reform Re-Estimates Accrual	**-**	**574**	**574**
Unrealized Valuation Loss and Disposition Loss on Investments (Note 6)	**-**	**(973)**	**(973)**
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	**-**	**756**	**756**
Advances and Prepayments (Note 5)	**-**	**(862,192)**	**(862,192)**
(Increase)/Decrease in Liabilities:			
Other Liabilities (Note 8)	**(6)**	**33,330**	**33,324**
Other Financing Sources:			
Imputed Costs	**(1,710)**	**-**	**(1,710)**
Total Components of Net Operating Cost Not Part of Budgetary Outlays	**(1,716)**	**(829,054)**	**(830,770)**
Components of Budgetary Outlays That Are Not Part of Net Cost:			
Effect of Prior Year Credit Reform Subsidy Re-Estimates	**-**	**(3,044)**	**(3,044)**
Acquisition of Internal-Use Software	**-**	**5,207**	**5,207**
Transfers (In)/Out Without Reimbursement	**(46,119)**	**-**	**(46,119)**
Redemption of Investments	**-**	**(128)**	**(128)**
Total Components of Budgetary Outlays That Are Not Part of Net Cost	**(46,119)**	**2,035**	**(44,084)**
Other Reconciling Items			
Distributed Offsetting Receipts	**(12,318)**	**(117,780)**	**(130,098)**
Negative Subsidy and Downward Re-Estimate Receipt Account Activity	**12,318**	**-**	**12,318**
Total Other Reconciling Items	**-**	**(117,780)**	**(117,780)**
Agency Outlays, Net			**$ 609,188**

(in thousands)	Intra-Governmental	Other Than Intra-Governmental	2023 Total
Total Net Cost of CDFI Fund Operations	$ 49,011	$ 783,196	$ 832,207
Components of Net Operating Cost Not Part of Budgetary Outlays:			
Internal-Use Software Amortization Expenses (Note 1.E)	-	(3,536)	(3,536)
Year-end Credit Reform Subsidy Accrual Re-Estimates	-	2,470	2,470
Adjustments to Prior Year Credit Reform Re-Estimates Accrual	-	14,088	14,088
Valuation Adjustment on Investments	-	24	24
Unrealized Valuation Loss on Investments (Note 6)	-	(818)	(818)
Increase/(Decrease) in Assets:			
Accounts Receivable, Net	-	(1)	(1)
Advances and Prepayments(1) (Note 5)	-	902,166	902,166
(Increase)/Decrease in Liabilities:			
Other Liabilities (Note 8)	210	(73,128)	(72,918)
Other Financing Sources:			
Imputed Costs	(1,486)	-	(1,486)
Total Components of Net Operating Cost Not Part of Budgetary Outlays	(1,276)	841,265	839,989
Components of Budgetary Outlays That Are Not Part of Net Cost:			
Effect of Prior Year Credit Reform Subsidy Re-Estimates	-	(8,505)	(8,505)
Acquisition of Internal-Use Software	-	4,897	4,897
Redemption of Investments	-	(590)	(590)
Total Components of Budgetary Outlays That Are Not Part of Net Cost	-	(4,198)	(4,198)
Other Reconciling Items			
Distributed Offsetting Receipts	(12,278)	(190,838)	(203,116)
Negative Subsidy and Downward Re-Estimate Receipt Account Activity	12,278	-	12,278
Total Other Reconciling Items	-	(190,838)	(190,838)
Agency Outlays, Net			$ 1,477,160

(1) The increase of $902.2 million in line "Advances and Prepayments" were related to the change in the CDFI Fund's accounting policy for grant awards.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Combining Statement of Budgetary Resources by Major Budget Account

The Statements of Budgetary Resources for the FYE September 30, 2024 and 2023, disaggregated by each major budget account within the CDFI Fund, consisted of the following:

Fiscal Year Ended September 30, 2024 (in thousands)		Budgetary Accounts		Non-Budgetary Financing Accounts		Capital Magnet Fund Budgetary Account		COVID-19 Budgetary Accounts		Total
Budgetary Resources:										
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$	271,295	$	-	$	627,670	$	23,016	$	921,981
Appropriations (Discretionary and Mandatory)		329,761		-		110,334		-		440,095
Borrowing Authority (Discretionary and Mandatory)		-		523,520		-		-		523,520
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		44,966		42,146		-		-		87,112
Total Budgetary Resources	$	646,022	$	565,666	$	738,004	$	23,016	$	1,972,708
Status Budgetary Resources:										
New Obligations and Upward Adjustments (Total)	$	506,180	$	559,800	$	323,953	$	9,049	$	1,398,982
Unobligated Balance, End of Year:										
Apportioned, Unexpired Accounts		128,889		5,866		314,211		10,803		459,769
Unapportioned, Unexpired Accounts		45		-		99,840		400		100,285
Unexpired Unobligated Balance, End of Year		128,934		5,866		414,051		11,203		560,054
Expired Unobligated Balance, End of Year		10,908		-		-		2,764		13,672
Unobligated Balance, End of Year (Total)		139,842		5,866		414,051		13,967		573,726
Total Budgetary Resources	$	646,022	$	565,666	$	738,004	$	23,016	$	1,972,708
Outlays, Net, and Disbursements, Net:										
Outlay, Net (Total) (Discretionary and Mandatory)	$	109,661	$	-	$	319,594	$	310,031	$	739,286
Distributed Offsetting Receipts		(24,627)		-		(105,471)		-		(130,098)
Agency Outlays, Net (Discretionary and Mandatory)	$	85,034	$	-	$	214,123	$	310,031	$	609,188
Disbursements, Net (Total) (Mandatory)	$	-	$	81,557	$	-	$	-	$	81,557

Fiscal Year Ended September 30, 2023 (in thousands)		Budgetary Accounts		Non-Budgetary Financing Accounts		Capital Magnet Fund Budgetary Account		COVID-19 Budgetary Accounts		Total
Budgetary Resources:										
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$	243,756	$	-	$	427,200	$	1,749,982	$	2,420,938
Appropriations (Discretionary and Mandatory)		334,616		-		202,611		-		537,227
Borrowing Authority (Discretionary and Mandatory)		-		325,473		-		-		325,473
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		1,855		34,405		-		-		36,260
Total Budgetary Resources	$	580,227	$	359,878	$	629,811	$	1,749,982	$	3,319,898
Status Budgetary Resources:										
New Obligations and Upward Adjustments (Total)	$	309,378	$	356,657	$	2,357	$	1,727,819	$	2,396,211
Unobligated Balance, End of Year:										
Apportioned, Unexpired Accounts		264,901		3,221		447,522		19,759		735,403
Unapportioned, Unexpired Accounts		9		-		179,932		83		180,024
Unexpired Unobligated Balance, End of Year		264,910		3,221		627,454		19,842		915,427
Expired Unobligated Balance, End of Year		5,939		-		-		2,321		8,260
Unobligated Balance, End of Year (Total)		270,849		3,221		627,454		22,163		923,687
Total Budgetary Resources	$	580,227	$	359,878	$	629,811	$	1,749,982	$	3,319,898
Outlays, Net, and Disbursements, Net:										
Outlay, Net (Total) (Discretionary and Mandatory)	$	274,034	$	-	$	118,085	$	1,288,157	$	1,680,276
Distributed Offsetting Receipts		(12,337)		-		(190,779)		-		(203,116)
Agency Outlays, Net (Discretionary and Mandatory)	$	261,697	$	-	$	(72,694)	$	1,288,157	$	1,477,160
Disbursements, Net (Total) (Mandatory)	$	-	$	94,726	$	-	$	-	$	94,726

OTHER INFORMATION (UNAUDITED)

Summary of Financial Statement Audit and Management Assurances

The following tables summarize the results of the CDFI Fund's financial statement audit.

Table 1. Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls over Management's Review of Changes in Accounting Principles and Reporting Requirements	1	0	1	0	0
Total Material Weaknesses	1	0	1	0	0

Table 2. Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Controls over Management's Review of Changes in Accounting Principles and Reporting Requirements	1	0	1	0	0	0
Total Material Weaknesses	1	0	1	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems Conform					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	**Auditor**
1. Federal Financial Management System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

APPENDIX A: GLOSSARY OF ACRONYMS (UNAUDITED)

B
BEA Program – Bank Enterprise Award Program

C
CDE – Community Development Entity
CDFIs – Community Development Financial Institutions
CDFI BGP – CDFI Bond Guarantee Program
CDFI ERP – CDFI Equitable Recovery Program
CDFI Fund – Community Development Financial Institutions Fund
CDFI Program – Community Development Financial Institutions Program
CDFI RRP – CDFI Rapid Response Program
CMF – Capital Magnet Fund
COVID-19 – Coronavirus Disease of 2019

D
DII – Depository Institution Initiatives

E
ECIP – Emergency Capital Investment Program
EMC – Economic Mobility Corps

F
FA – Financial Assistance
FASAB – Federal Accounting Standards Advisory Board
FCRA – Federal Credit Reform Act of 1990
FERS – Federal Employees' Retirement System
FFB – Federal Financing Bank
FFMIA – Federal Financial Management Improvement Act
FMFIA – Federal Managers' Financial Integrity Act
FS-ARC – Bureau of the Fiscal Service Administrative Resource Center
FY – Fiscal Year
FYE – Fiscal Year Ended

G
GAAP – U.S. Generally Accepted Accounting Principles
GSE – Government Sponsored Enterprises

H
HFFI – Healthy Food Financing Initiative

N
NACA Program – Native American CDFI Assistance Program
NMTC – New Markets Tax Credits

NMTC Program – New Markets Tax Credit Program

O
OMB – Office of Management and Budget

P
P.L. – Public Law
PP&E – Property, Plant, & Equipment

S
SDL Program – Small Dollar Loan Program
SF-425 – Standard Form 425: Federal Financial Report
SFFAS – Statements of Federal Financial Accounting Standards

T
TSP – Thrift Savings Plan
TA – Technical Assistance

U
U.S. – United States

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