Audit Report

OIG-12-011

Audit of the Community Development Financial Institutions Fund's Fiscal Years 2011 and 2010 Financial Statements

November 15, 2011

Office of Inspector General

Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 15, 2011

**MEMORANDUM FOR DONNA J. GAMBRELL, DIRECTOR
COMMUNITY DEVELOPMENT FINANCIAL
INSTITUTIONS FUND**

FROM: Michael Fitzgerald
Director, Financial Audits

SUBJECT: Audit of the Community Development Financial Institutions Fund's Fiscal Years 2011 and 2010 Financial Statements

I am pleased to transmit the attached audited Community Development Financial Institutions Fund (CDFI) financial statements for fiscal years 2011 and 2010. Under a contract monitored by the Office of Inspector General, KPMG LLP, an independent certified public accounting firm, performed an audit of CDFI's statements of financial position as of September 30, 2011 and 2010 and the related statements of operations and changes in net position and cash flows for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards; applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended*;* and the *GAO/PCIE Financial Audit Manual*.

The following reports, prepared by KPMG LLP, are incorporated in the attachment:

- Independent Auditors' Report;
- Independent Auditors' Report on Internal Control Over Financial Reporting; and
- Independent Auditors' Report on Compliance and Other Matters

In its audit, KPMG LLP found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. However, KPMG LLP identified two significant deficiencies related to controls over (1) grant accruals; and (2) grant disbursements, which were considered material weaknesses. Further, KPMG LLP found no instances of reportable noncompliance with laws and regulations tested.

In connection with the contract, we reviewed KPMG LLP's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on CDFI's financial statements or conclusions about the effectiveness of internal control or compliance with laws and regulations. KPMG LLP is responsible for the attached auditors' reports dated November 10, 2011, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-5789, or a member of your staff may contact Catherine Yi, Manager, Financial Audits, at (202) 927-5591.

Attachment

Community Development Financial Institutions Fund

United States Department of the Treasury

Agency Financial Report

FY 2011

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Message from the Director

I am pleased to present the fiscal year (FY) 2011 Agency Financial Report for the Community Development Financial Institutions Fund (CDFI Fund).

As our nation struggled with a deepening recession in early 2009, the CDFI Fund was called upon to play a significant role in the nation's economic recovery efforts. In FY 2009 and FY 2010, we answered that call with dedication and skill, and produced a number of unprecedented accomplishments. In FY 2011, as this edition of the Agency Financial Report documents, we continued to build upon the outstanding record that we established over the previous two years.

Indeed, we set two important records in FY 2011. First, we announced the largest single round of monetary awards in the history of the CDFI Fund. The awards were made through the FY 2011 round of our flagship program, the Community Development Financial Institutions Program (CDFI Program), and totaled $167.3 million for both Financial and Technical Assistance awards, including the $25 million from the CDFI Healthy Food Financing Initiative (HFFI) awards. The previous record — $104.8 million — was set last year, during the FY 2010 round of the CDFI Program. We have now awarded more than $1 billion through the CDFI Program since the CDFI Fund was created in 1994.

Second, as of September 30, 2011, the number of certified Community Development Financial Institutions (CDFIs) reached 963 — again, the most in our history. We expect the number to continue to grow, as we are certifying more organizations as CDFIs each month.

The CDFI Fund made significant progress in a variety of other areas as well in FY 2011. At the end of 2010, we launched a partnership with the U.S. Small Business Administration (SBA) on a new loan initiative called Community Advantage. Under this new program, the SBA is opening its flagship 7(a) lending program for the first time to CDFIs and other community-based lenders, and will allow them to originate SBA 7(a) loans up to $250,000.

We also launched our new Capacity-Building Initiative, which is designed to expand technical assistance and training opportunities for CDFIs nationwide. Last October, we announced the first five contractors that will provide training and technical assistance through the program and, in May and June, we presented the first training sessions in Detroit, Philadelphia, and Oakland.

As part of the First Lady's Let's Move campaign to fight childhood obesity, we launched the HFFI. Through the HFFI, we made $25 million in awards under the CDFI Program to CDFIs focused on developing solutions for increasing access to affordable healthy foods in low-income communities.

In addition, we presented a series of workshops to promote economic development in Native American communities. Titled "Growing Economies in Indian Country: Taking Stock of Progress and Partnership," the series expanded on the workshops we offered in 2010 and was co-sponsored by the CDFI Fund, the Federal Reserve, and a number of other federal agencies. The workshops were held in six locations around the country from June through September 2011, and attracted more than 600 participants.

Also in July, we began soliciting comments regarding the design, implementation, and administration of the CDFI Bond Guarantee Program, which will offer CDFIs a new source of long-term, patient capital for loans and investments in low-income communities. The CDFI Fund is the administrator for this program and has hired staff to lead the effort.

Finally, in August, we announced that, through the 2011 round of the New Markets Tax Credit Program (NMTC Program), we received a total of 314 applications, which is the most we have received since 2002 and reflects an increase of 26 percent over last year's total. The strong demand for NMTC allocation authority offers clear evidence of the critical need for investments in our nation's low-income communities.

I would like to thank the staff of the CDFI Fund for their exceptional service during FY 2011. All of us at the CDFI Fund remain mindful of the tremendous responsibility that we continue to play in helping to revitalize our nation's most distressed communities, and we are committed to reaching new heights in FY 2012.

Donna J. Gambrell

Director
Community Development Financial Institutions Fund

Community Development Financial Institutions Fund Overview

Overview

The Community Development Financial Institutions Fund (CDFI Fund) was created for the purpose of promoting economic and community development through investment in and assistance to Community Development Financial Institutions (CDFIs). The CDFI Fund's role in promoting community and economic development was expanded in FY 2001 when the Secretary of the Treasury delegated to the CDFI Fund the responsibility of administering the New Markets Tax Credit Program (NMTC Program). The breadth and depth of the CDFI Fund's reach was further expanded in FY 2008, with the enactment of legislation that created the Financial Education and Counseling Pilot Program (FEC Pilot Program), and in FY 2009 with the enactment of legislation that created the Capital Magnet Fund (CMF), both of which were implemented in FY 2010; and again in FY 2010 with the enactment of legislation that created the CDFI Bond Guarantee Program for which the CDFI Fund began implementation in FY 2011.

Since its creation in 1994, the CDFI Fund has awarded more than $1.4 billion to CDFIs, community development organizations, and financial institutions through the Community Development Financial Institutions Program (CDFI Program), the Bank Enterprise Award Program (BEA Program), and the Native Initiatives, which includes the Native American CDFI Assistance Program (NACA Program). In addition, the CDFI Fund has allocated $29.5 billion in tax credit authority to Community Development Entities (CDEs) through the NMTC Program.

Authorizing Legislation

The CDFI Fund was established as a bipartisan initiative under the Riegle Community Development and Regulatory Improvement Act of 1994, which authorized the CDFI and BEA programs. The NMTC Program was authorized through the Community Renewal Tax Relief Act of 2000. The FEC Pilot Program and the CMF were authorized through the Federal Housing Finance Regulatory Reform Act of 2008. The CDFI Bond Guarantee Program was authorized as part of the Small Business Jobs Act of 2010.

CDFI Fund's Vision and Mission

The CDFI Fund's vision is to economically empower America's underserved and distressed communities. Its mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States. The CDFI Fund achieves its purpose by promoting access to capital and local economic growth through the following programs:

> ***Community Development Financial Institutions Program***, which provides Financial Assistance awards to institutions that are certified as CDFIs, and Technical Assistance grants to certified CDFIs and entities that will become certified as CDFIs within three years;
>
> ***Native Initiatives***, which assists entities in overcoming barriers that prevent access to credit, capital, and financial services in Native American, Alaskan Native, and Native Hawaiian communities (Native communities). The Native Initiatives' central component is the Native American CDFI Assistance Program (NACA Program), which increases the number and capacity of existing or new CDFIs serving Native Communities. In addition, the Native Initiatives provide training to help strengthen and develop Native CDFIs;
>
> ***New Markets Tax Credit Program,*** which provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling investors to claim tax credits against their federal income taxes. The CDEs in turn use the capital raised to make investments in low-income communities;

Bank Enterprise Award Program, which provides monetary awards to FDIC-insured banks for increasing their investment in low-income communities and/or in CDFIs;

Capital Magnet Fund, which provides grants for CDFIs and other non-profits to finance the development, rehabilitation, and purchase of affordable housing for low-income people;

Financial Education and Counseling Pilot Program, which provides financial assistance awards to enable certified CDFIs and other eligible organizations to deliver a variety of financial education and counseling services to prospective homebuyers; and

CDFI Bond Guarantee Program, which will provide a federal guarantee for bonds or notes issued by CDFIs or other qualified issuers for economic and community development purposes.

What is a CDFI?

CDFIs are specialized, community-based financial institutions that serve low-income people or work in economically distressed communities, often working in market niches that may be underserved by traditional financial institutions. Only financial institutions certified by the CDFI Fund can receive Financial Assistance awards through the CDFI Program and the NACA Program. Technical Assistance awards are available through both programs to certified CDFIs and entities that propose to become certified CDFIs.

CDFIs provide a unique and wide range of financial products and services that help their customers build wealth and achieve the goal of participating in the ownership society. While the types of products made available are generally similar to those provided by mainstream financial institutions (such as mortgage financing for low-income and first-time homebuyers, small business lending, and lending for community facilities), CDFIs often lend to and make equity investments in markets that may not be served by mainstream financial institutions. In addition, CDFIs may offer rates and terms that are more flexible to low-income borrowers. CDFIs also provide services that help ensure that credit is used effectively, such as technical assistance to small businesses, and home buying and credit counseling to consumers. CDFIs include depository institutions, such as community development banks and credit unions, and non-depository institutions, such as loan funds and venture capital funds.

Certification of Community Development Financial Institutions and Community Development Entities

CDFI certification is a designation conferred by the CDFI Fund. An organization must be a legal entity and meet the following six statutory and regulatory criteria:

1) Have a primary mission of promoting community development;

2) Serve principally an investment area or targeted population;

3) Be an insured depository institution, or make loans or development investments as its predominant business activity;

4) Provide development services (such as technical assistance or counseling) in conjunction with its financing activity;

5) Maintain accountability to its target market; and

6) Be a non-governmental entity and not be controlled by any governmental entities.

CDFI certification is a requirement for accessing a Financial Assistance award from the CDFI Fund through the CDFI

Program and the NACA Program, and certain benefits through the BEA Program. During FY 2011, 55 CDFIs were newly certified. As of September 30, 2011, there were 963 certified CDFIs. This compares to 929 CDFIs that were certified as of the end of FY 2010. CDFIs are headquartered in all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

A Community Development Entity (CDE) is a domestic corporation or partnership that is an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities through the NMTC Program. To be certified as a CDE, organizations must demonstrate a primary mission of serving low-income communities and low-income people, and must demonstrate that they are accountable (through representation on a governing board or advisory board) to residents of low-income communities. CDEs are certified as such by the CDFI Fund and are eligible to apply for allocation of tax credit authority through the NMTC Program.

Many CDEs create multiple subsidiary CDEs to own specific assets or classes of assets; as a result, 740 new CDEs were certified in the year ending September 30, 2011. Benefits of CDE certification include being able to: (1) apply to the CDFI Fund to receive an allocation of NMTC authority to offer to investors in exchange for equity investments in the CDE and/or its subsidiaries; or (2) receive loans or investments from other CDEs that have received a NMTC allocation. CDEs must be certified in order to receive allocations of tax credit authority. As of September 30, 2011, 5,298 CDEs were certified. This compares to 4,558 CDEs that were certified as of the end of FY 2010. CDEs are headquartered in 49 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Allocation of CDFI Fund Funding

The CDFI Fund's appropriations comprise program funds and administrative funds. Program funds are amounts that are used for program awards (such as grants, loans, deposits, equity investments, and capacity building / training contracts); administrative funds are amounts used to cover the costs to administer all programs, including the NMTC Program. As noted above, the Secretary of the Treasury has delegated authority to the CDFI Fund to allocate tax credit authority through the NMTC Program. As NMTCs are not monetary awards, they are not reflected in the chart below. NMTC Program administrative expenses are included in the administration costs below.

Sources of Funding

Congress appropriates funding annually to the CDFI Fund; each appropriation can be used over two fiscal years. Appropriations include fiscal year budget authority, and any unobligated funds from the prior year may be carried over. The annual appropriation amount includes borrowing authority to make loans.

Sources of CDFI Fund Funding

(Amounts in Millions)

	FY 2011	FY 2010
Appropriations	$226.5	$260.2
Prior Year Amounts Deobligated, Used to Fund Current Year Obligations	0.8	0.3
Carryover from Prior Year	104.1	8.3
Spending Authority from Offsetting Collections	0.3	-
No-Year Funds	4.0	-
Borrowing Authority Used	1.8	6.3
Total Sources of Funds	$337.5	$275.1

Note – The above amounts do not include credit subsidy re-estimates.

In FY 2011, the CDFI Fund allocated $226.5 million in appropriated funds as follows:

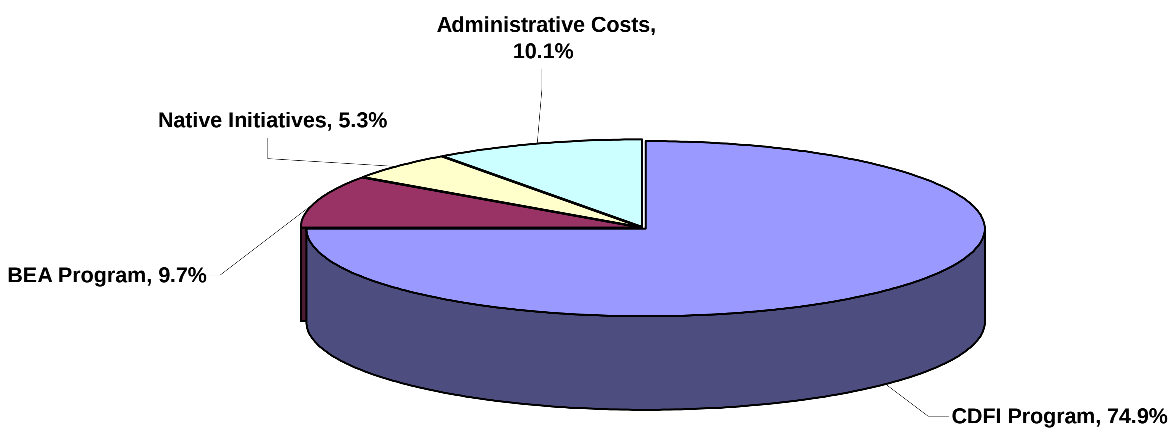
Funding Allocation
(Amounts in Millions)

	FY 2011	FY 2010
Amounts Funded		
CDFI Program	$169.7	$107.6
BEA Program	21.9	25.0
NACA Program	12.0	12.0
Capital Magnet Fund	-	80.0
FEC Pilot Program	-	1.0
FEC Pilot Program (Hawaii)	-	3.1
CDFI Bond Guarantee Program	-	13.5
NMTC & Administrative Costs	22.9	18.0
Total Amounts Funded	226.5	260.2
Less Amounts Not Obligated [1]	35.5	104.1
Total Funding Used	**$191.0**	**$156.1**

[1] In FY 2010, the CDFI Fund carried over $104.1 million which included $80.0 million from the Capital Magnet Fund, $13.5 million from the Bond Guarantee Program, $4.6 million from the CDFI Program, $1.1 million from the NACA Program, $4.1 million for the FEC and FEC Hawaii Programs, $0.3 million for the BEA Program, and $0.5 million for Program Administration.

In FY 2011, the CDFI Fund carried over $35.5 million which included $7.0 million from the CDFI Program, $21.9 million from the BEA Program, $0.6 million from the NACA Program, and $6.0 million for Program Administration.

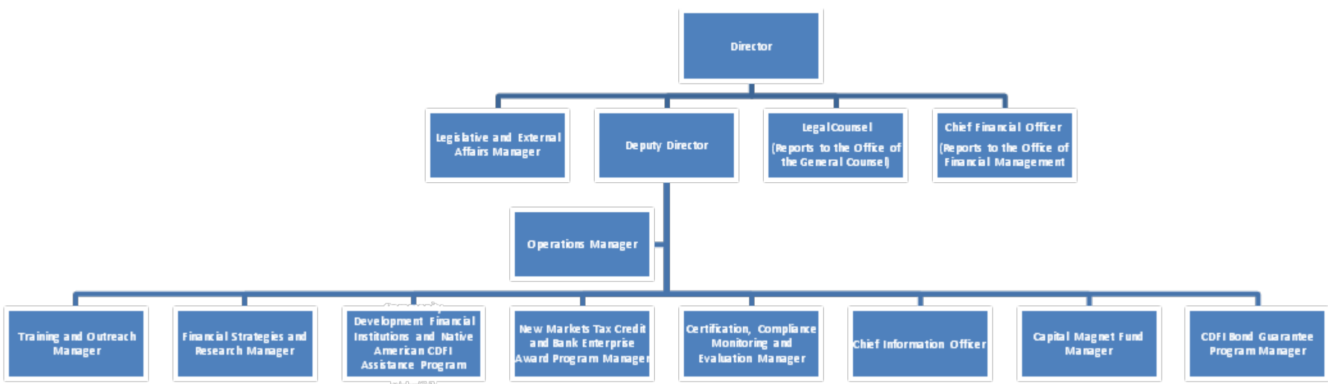
Percent of Amounts Funded in FY 2011



Organization of the CDFI Fund

The CDFI Fund's organizational structure consists of the following: Director; Deputy Director; Legislative and External Affairs Manager; Legal Counsel; Chief Financial Officer; CDFI and Native Programs Manager; Operations Manager; NMTC and BEA Programs Manager; Certification, Compliance Monitoring, and Evaluation Manager; Financial Strategies and Research Manager; Training and Outreach Manager; Chief Information Officer; Capital Magnet Fund Manager; and CDFI Bond Guarantee Program Manager. The organization chart of the CDFI Fund is shown below.

Community Development Financial Institutions Fund
Organizational Chart
September 2011



Program Discussion and Analysis

Community Development Financial Institutions Program

Through the Community Development Financial Institutions Program (CDFI Program), the CDFI Fund uses federal resources to invest in and build the capacity of CDFIs to serve low-income people and communities lacking adequate access to affordable financial products and services. The CDFI Program provides monetary awards for Financial Assistance (FA) and Technical Assistance (TA). CDFIs use FA awards to further goals such as:

- Economic development (job creation, business development, and commercial real estate development);
- Affordable housing (housing development and homeownership); and
- Community development financial services (provision of basic banking services and financial literacy training to underserved communities).

In FY 2011, the CDFI Program awarded $167.3 million to CDFIs - $142.3 million in CDFI Fund Program awards and $25.0 million in HHFI awards. The CDFI Program used $4.9 million of the FY 2010 funds and $162.4 million of the FY 2011 funds for its FY 2011 awards. The total FY 2011 funding of $169.7 million was allocated as follows: $137.4 million for the CDFI Program awards, $25.0 million for the HHFFI awards and $7.3 million for the Capacity Building contracts. In FY 2011, The CDFI Program awarded $0.9 million for the Capacity Building contracts; the remainder of $6.4 million was carried over into FY 2012. The breakdown of $142.3 million included (1) $139.2 million in FA awards to 118 organizations, including 32 Small and Emerging CDFI Assistance (SECA) awards for $17.2 million and 86 Core awards for $122 million; and (2) $3.1 million in TA awards to 37 organizations.

Certified CDFIs

A certified CDFI is a legal entity that has been certified by the CDFI Fund as meeting the six statutory and regulatory criteria listed earlier in this report.

In addition to seeking certification to receive FA and TA awards from the CDFI Fund, organizations pursue CDFI certification in order to leverage CDFI Funds from non-federal sources such as banks, foundations, and state and local governments.

The certification of organizations as CDFIs has been a long-standing activity of the CDFI Fund. At the end of FY 2011, there were 963 certified CDFIs serving rural and urban areas in all 50 states and the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

Breakdown of Types of Certified CDFIs

There are four main types of CDFIs, and each provides a different mix of products geared to reach specific customers:

- ***Community development banks*** are for-profit corporations that provide capital to rebuild economically distressed communities through targeted lending and investment;
- ***Community development credit unions*** are non-profit cooperatives owned by members that promote ownership of assets and savings and provide affordable credit and retail financial services to low-income people;
- ***Community development loan funds*** (usually non-profits) provide financing and development services to businesses, organizations and individuals in low-income urban and rural areas and can be further categorized based on the type of client served: micro-enterprise, small business, housing, and community service organizations; and

- ***Community development venture capital funds*** include both for-profit and non-profit organizations that provide equity and debt-with-equity features for businesses in distressed communities.

CDFI Customers

CDFIs serve a wide range of customers, including:

- Small business owners who provide employment opportunities and needed services to disadvantaged communities;

- Affordable housing developers who construct and rehabilitate homes in low-income communities;

- Community facilities used to provide child care, health care, education, and social services in underserved communities;

- Commercial real estate developers who finance the acquisition, construction, or rehabilitation of retail, office, industrial, and community facility space in low-income communities; and

- Individuals who are provided affordable banking services including checking and savings accounts, alternatives to predatory financial companies, and mortgages and other kinds of loans.

Financial Assistance

The CDFI Program consists of two components, Financial Assistance (FA) awards and Technical Assistance (TA) awards. The FA component is by far the most subscribed and consists of two categories: Category 1 – Small and Emerging CDFI Assistance (SECA); and Category 2 – Core. Through the CDFI Program, the CDFI Fund invests in CDFIs that provide financing and related services to communities and populations lacking access to credit, capital, and financial services.

Applicants to the CDFI Program must demonstrate they have the financial and managerial capacity to impact the communities they serve. Applicants must: 1) be able to provide affordable and appropriate financial products and services; 2) be a viable financial institution; 3) be able to use CDFI Fund awards effectively; and 4) have the ability to leverage their awards with non-federal funding.

The CDFI Program makes FA awards in the form of equity investments, loans, deposits, or grants. FA awards enable CDFIs to leverage private capital for affordable financial products and services in economically distressed markets. CDFIs respond to this demand providing loans, investments, training, technical assistance, and basic financial services such as checking or savings accounts.

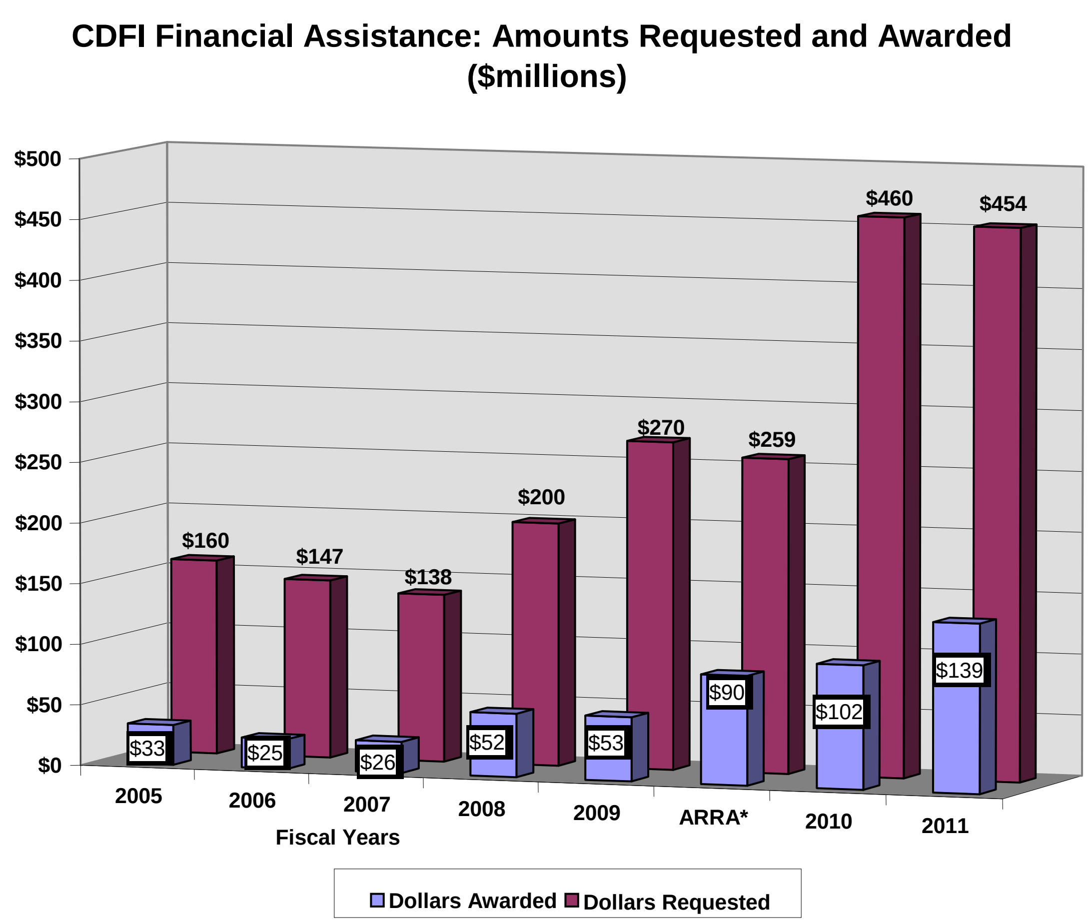
FY 2011 FA Awards

In FY 2011, the CDFI Fund received applications from 273 organizations, requesting a total of more than $454.2 million in FA awards, including 78 SECA applicants requesting $51.2 million and 195 Core applicants seeking $403 million.

The CDFI Fund awarded a total of $139.2 million to 118 organizations in FY 2011, including 32 SECA awards totaling $17.2 million and 86 Core awards totaling $122 million.

Table 1 – FY 2011 FA Awards		
	Awards	Amount Awarded
Core	86	$122,015,791
SECA	32	$17,137,965
Totals	**118**	**$139,153,756**

The following graph shows the total amount of FA funds requested and awarded since FY 2005. The CDFI Program has consistently received more applications than it can fund. In FY 2011, the CDFI Fund capped awards at $1.5 million in an attempt to meet the heavy demand. By capping award amounts, the CDFI Fund was able to make more awards.



*In February 2009, the CDFI Program received $90 million in funds through the American Recovery and Reinvestment Act (ARRA) to enhance the lending capacity of CDFIs.

Healthy Food Financing Initiative

In FY 2011, the CDFI Fund launched the new Healthy Food Financing Initiative (HFFI) in coordination with efforts being undertaken by the Department of Agriculture and the Department of Health and Human Services (HHS), and provided FA awards through the CDFI Program to support the initiative. The HFFI represents the federal government's first coordinated step to eliminate "food deserts" – low-income urban and rural areas in the United

States with limited access to affordable and nutritious food – by promoting a wide range of interventions that expand the supply of and demand for nutritious foods, including increasing the distribution of agricultural products; developing and equipping grocery stores; and strengthening producer-to-consumer relationships. In addition, the HFFI is part of a larger effort to create quality jobs and promote comprehensive community development strategies to revitalize distressed neighborhoods into healthy and vibrant communities of opportunity. FA awards made through the HFFI can be used to make loans and investments and to provide development services that promote and increase access to healthy food options in low-income communities.

In FY 2011, the CDFI Fund awarded $25 million in FA awards through the CDFI Program to 12 organizations to finance healthy food activities. These CDFIs will use the funds to enhance their capacity to make investments in a range of healthy food projects serving food deserts, including grocery stores, mobile food retailers, farmers markets, cooperatives, corner stores, bodegas, and stores that sell other food and non-food items along with a full range of healthy foods. Six awardees primarily serve major urban markets, four primarily serve minor urban markets, and two primarily serve rural areas.

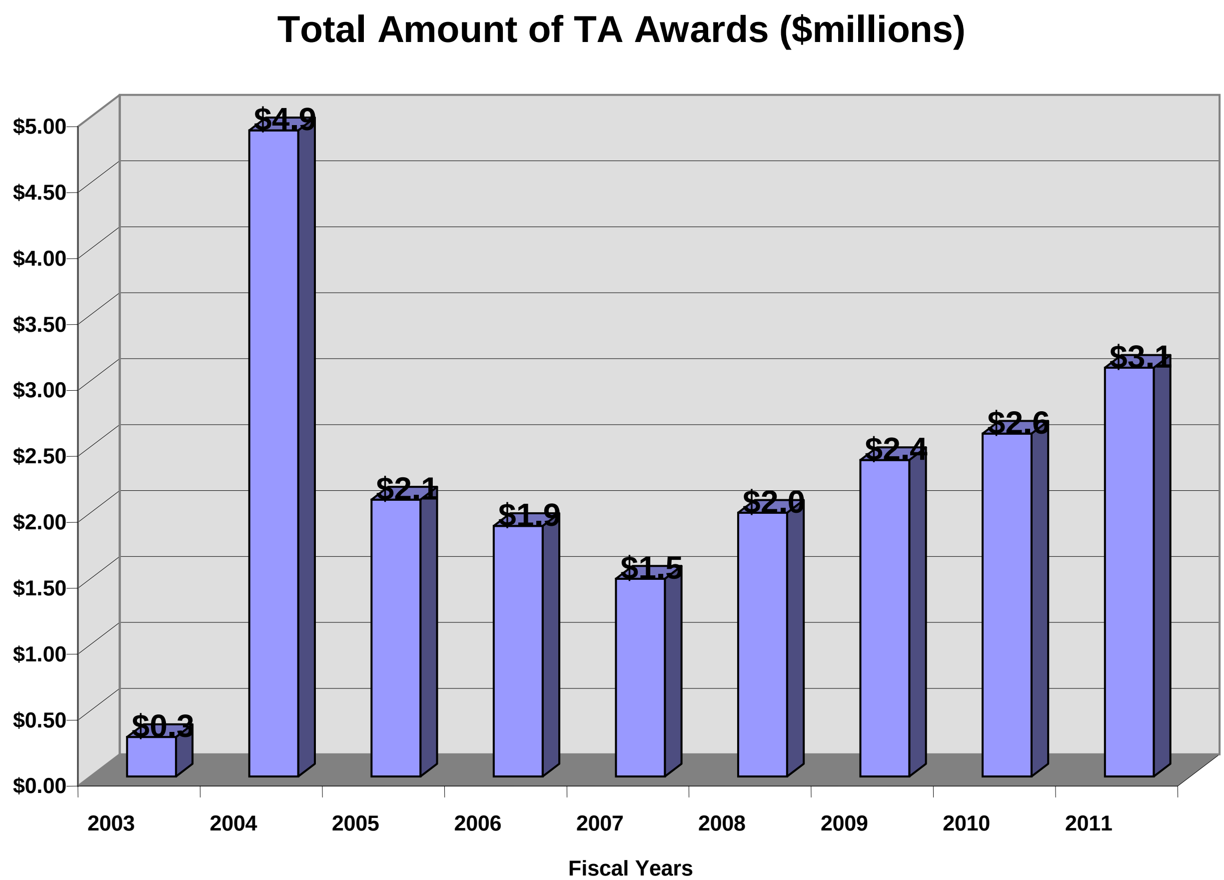
Technical Assistance

Through the Technical Assistance (TA) component of the CDFI Program, the CDFI Fund provides grants to build the capacity of both start-up and existing CDFIs. TA grant funds can be used for items such as staff salaries, benefits, staff training, professional services, supplies, and equipment. Applicants often request funds to analyze their target markets, develop lending policies and procedures, or to build staff lending capacity.

More established CDFIs also use TA grants to build their capacity to provide new products, serve current target markets in new ways, or enhance the efficiency of their operations with upgraded computer hardware and software.

FY 2011 TA Awards

In FY 2011, the CDFI Fund received 114 applications requesting a total of more than $10.8 million in TA-only grants. Thirty-seven organizations received awards totaling $3.1 million. The following graph shows the total amount of TA awards since 2003.



CDFI Program Performance

CDFI Program awardees report their annual performance to the CDFI Fund through the CDFI Fund's Web-based reporting system, the Community Investment Impact System (CIIS). Each awardee has 180 days from its fiscal year end to report through CIIS. This time allows the awardee to complete its annual audit and enables the CDFI Fund to verify reported information against the audit.

The FY 2011 performance information provided here pertains to each awardee's performance results for program year 2010. It should also be noted that the lag in performance reporting reflects the time it takes to deploy funds and make investments for which actual and projected results can be estimated. The delay in performance reporting reflects the length of time from notice of award to award disbursement, the time it takes for an awardee to deploy the funds, and the additional time it takes to compute and report awardee impact information to the CDFI Fund's CIIS reporting system. The FY 2011 performance results reported in the table below reflect program outcomes and activities for 2010 and are based on information entered into CIIS by reporting CDFI Program awardees.

In FY 2011, CDFI awardees reported originating 16,313 loans or investments totaling $1.2 billion, based on their portfolio of activities in 2010. This includes $357.3 million for 5,010 home improvement and purchase loans, $296.8 million for 5,233 business and microenterprise loans, and $289.2 million for 679 residential real estate transactions. These data on the amount and number of loans or investments originated provide baselines for benchmarking and targeting program performance in the forthcoming fiscal year. CDFI Program awardees helped provide funds for projects that created or maintained 25,199 jobs and leveraged $1.5 billion in private investment. In addition, real estate loans financed 17,778 affordable housing units, including 15,979 rental units and 1,799 owner units. CDFIs also provided extensive financial products and services to unbanked and underserved individuals by opening 6,537 new bank accounts and maintaining 7,007 Individual Development Accounts totaling $9,131,382 in savings. CDFIs reported providing financial literacy counseling and other training opportunities to 177,252 individuals. Finally, loans and investments originated by CDFIs over the last three years were located in more than 22 percent of eligible census tracts, exceeding the target of 10 percent.

Annual Performance of CDFI Program Awardees for FY 2011
(Based on Program Activities Reported in 2010)

Lending and Investing Activity	
Amount of Total Loans/Investments Originated	**$1,228,117,325**
Number of Total Loans/Investments Originated	16,313
Business and Microenterprise Originations	**$296,837,269**
Number of Originations	5,233
Consumer Originations[1]	**$16,272,322**
Number of Originations	4,445
Home Improvement and Home Purchase Originations	**$357,299,821**
Number of Originations	5,010
Residential Real Estate Originations	**$289,201,894**
Number of Originations	679
Commercial Real Estate Originations	**$151,959,887**
Number of Originations	186
All Other Originations	**$116,546,132**
Number of Originations	760
Jobs At End of Reporting Period	**25,199**
Affordable Housing Units Financed	**17,778**
Rental Units	15,979
Owner Units	1,799
Businesses Financed[2]	**5,233**
Percent of Eligible Areas Served[3]	**22.1%**
Financial Access and Literacy	
Accounts Opened to the Unbanked	6,537
Open Individual Development Accounts	7,007
Dollars Saved in Individual Development Accounts	$9,131,382
Individuals Served By Financial Literacy or Other Training	177,252

[1] Due to changes in reporting requirements during FY 2011, not all institutions reported consumer loan originations for this year. The actual value of consumer originations is likely to be higher.
[2] The Business Financed estimate would change if multiple financing to the same business were netted out and would total only 2,390 vs. the simple number of business originations as above.
[3] Defined as the percentage of all eligible Census tracts receiving at least one origination in the past ***three*** calendar years.

Native Initiatives

In November 2001, the CDFI Fund published the "Report of the Native American Lending Study," which formed the basis for creating the Native Initiatives. The study evaluated access to credit, capital, and financial services in Native American, Alaskan Native, and Native Hawaiian communities and identified barriers to providing such financing. To address these barriers, the Native Initiatives increase opportunities to access credit, capital, and financial services by creating or expanding Native CDFIs primarily serving Native Communities, helping to create Native CDFIs as well as to strengthen the operational capacity of existing Native CDFIs primarily serving Native Communities.
The Native Initiatives are based on six objectives:

1) Expanding training opportunities in community development finance for Native Communities;

2) Providing technical assistance to overcome barriers to creating and sustaining Native CDFIs;

3) Making technical and financial assistance awards to meet the needs of existing or proposed Native CDFIs;

4) Encouraging mainstream financial institutions to increase their financial products and services in Native Communities;

5) Supporting financial education activities in Native Communities; and

6) Facilitating networking and in-depth training forums in community development finance.

These objectives are achieved through two principal strategies. The first strategy is to provide funding through the Native American CDFI Assistance Program (NACA Program), which is designed to increase the number and capacity of existing or new Native CDFIs. The second strategy is to provide training to help create new Native CDFIs or strengthen the operational capacity of existing ones.

A Native American CDFI is defined as a CDFI with greater than 50 percent of its activities directed to Native American Communities.

NACA Program FY 2011

Through the NACA Program, the CDFI Fund provides two types of funding: 1) Financial Assistance (FA) awards which are only available to certified CDFIs; and 2) Technical Assistance (TA) grants, which are available to certified CDFIs, Emerging Native CDFIs, and Sponsoring Entities.

FA awards are primarily used for financing capital. TA grants are generally used to acquire products or services including computer technology, staff training, professional services, such as market analysis, and support for other general capacity-building activities. NACA awardees use their awards to increase their capacity to serve their Target Market and/or to create/become certified CDFIs.

The performance results reported by NACA Program awardees in FY 2011 show Native CDFIs originated 1,004 loans or investments totaling $14,727,069 based on their portfolio of activities in 2010. These baseline data on the amount and number of loans or investments originated will be used for benchmarking and targeting program performance in the forthcoming fiscal year.

In FY 2011, the CDFI Fund received 82 NACA eligible applications requesting a total of $29.4 million for both FA and TA funding. The CDFI Fund awarded 35 organizations a total of $11.8 million for both FA and TA funding in FY 2011. The $11.8 million in awards were funded with $1 million of FY 2010 funds and $10.8 of FY 2011 funds. The remaining $1.2 million FY 2011 funds were allocated for the Capacity Building contracts.

FY 2011 NACA FA Awards

In FY 2011, the CDFI Fund awarded 14 organizations totaling approximately $9.1 million in FA. The CDFI Fund capped the FA awards in FY 2011 at $725,000. As a result, the CDFI Fund was able to make more FA awards. The CDFI Fund assumes that the demand will remain high as an increasing number of Native CDFIs put into practice the CDFI Fund's training and continue to build their lending programs.

Technical Assistance Grants

Through the NACA Program, the CDFI Fund provides TA grants, which are available to certified CDFIs, Emerging Native CDFIs, and Sponsoring Entities. Unique to the NACA Program, Sponsoring Entities create and support fledgling Native organizations as they move toward certification.

TA grants help awardees build their capacity to provide financial services and products. Awardees can use TA grants to: 1) acquire products or services such as technology or staff and board training; 2) engage consulting services to undertake activities like a market analysis or development of lending policies and procedures; 3) pay for staff time to conduct capacity-building activities such as website development; and 4) support on-going operational activities such as staff salary, rent, and utilities.

FY 2011 NACA TA Awards

In FY 2011, 21 organizations received TA awards totaling $2.7 million.

Training Initiatives

Through the Native Initiatives, the CDFI Fund engages contractors to provide training and technical assistance to existing and emerging Native CDFIs. The Expanding Native Opportunities component of the Native Initiatives involves three types of training: 1) Native Communities Financing Initiatives; 2) Native Financial Skills and Enterprise Initiatives; and 3) Native Individual Development Account Initiatives. The Native Communities Financing Initiatives are accompanied by technical assistance, providing up to six days of on-site assistance to participants.

The CDFI Fund has contracted with two organizations to provide a series of workshops and technical assistance to participants in the three training initiatives.

Capacity Building Initiative

The Capacity Building Initiative is the CDFI Fund's primary means of developing and growing the nation's CDFI industry. Through the Capacity Building Initiative, both certified CDFIs and emerging CDFIs nationwide are eligible to access targeted training and technical assistance. Industry-wide training targets key issues currently affecting CDFIs and the communities they serve, including affordable housing and business lending, portfolio management, risk assessment, foreclosure prevention, general business operations, and liquidity and capitalization challenges. Training is offered at locations near where CDFIs work, and technical assistance is often provided on-site. Capacity building plans are designed around the specific needs of participating CDFIs. All CDFIs are able to take advantage of online resource banks hosted on the CDFI Fund website.

Specific training series launched in FY 2011 include:

•The *Foreclosure Solutions* series, provided by NeighborWorks® America. This series helps CDFIs build their capacity to operate highly-effective foreclosure intervention programs. The series offers training, technical assistance, and access to tools and resources. Through this series, participants are improving their understanding of foreclosure intervention strategies and effectively implementing these strategies in their communities. In FY 2011, 13 participants attended the Foreclosure Solutions training events.

•The *Portfolio Management* series, provided by NeighborWorks®America. This series helps CDFIs improve the capacity to manage their portfolios, including assessing and reducing portfolio risk. Participants are learning techniques and strategies through a combination of training, technical assistance, organizational assessments and an online resource bank. In FY 2011, 86 participants attended the Portfolio Management training events, 345 participated in webinars, and 62 CDFIs received technical assistance.

•The *CDFI Capitalization* series, provided by NeighborWorks®America. This series helps CDFIs learn strategies and techniques for increasing their capitalization and improving their liquidity. Participants have access to training, technical assistance, organizational assessments, and an online resource bank. In FY 2011, 38 participants attended the CDFI Capitalization training events, 218 participated in webinars, and six CDFIs received technical assistance.

•The *Financing Healthy Food Options* series, provided by Opportunity Finance Network (OFN). This series supports CDFIs engaged in the eradication of food deserts in their target markets. Training, technical assistance, research and specialized resources are available to participants. In FY 2011, 75 participants attended the Financing Healthy Food Options training events and ten CDFIs received technical assistance.

•The *Leadership Journey: Native CDFI Growth and Excellence* series, provided by NeighborWorks® America. This series will support the continued growth and long-term sustainability of experienced Native CDFIs by providing the forum, tools, and resources for Native CDFI leaders to identify and address the critical challenges of their organizations. The first training will take place in February 2012.

New Markets Tax Credit Program

The New Markets Tax Credit Program (NMTC Program) stimulates capital investment in low-income communities nationwide. The program permits taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.

The CDFI Fund is responsible for awarding tax credit allocations to CDEs. It does so through a competitive award process. This process ensures that the most qualified organizations receive first consideration for this limited resource.

The tax credit provided to the investor totals 39 percent of the amount of the investment made in a CDE and is claimed over a seven-year credit allowance period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments prior to the conclusion of the seven-year period.

To qualify as a CDE, an entity must be a domestic corporation or partnership that: (1) has a mission of serving, or providing investment capital for, low-income communities or low-income persons; (2) maintains accountability to residents of low-income communities through their representation on a governing board of or advisory board to the entity; and (3) has been certified as a CDE by the CDFI Fund. As of September 30, 2011, there were 5,298 organizations certified as CDEs by the CDFI Fund, compared to 4,558 one year earlier.

The NMTC Program was authorized under the Community Renewal Tax Relief Act of 2000. The statute included $15 billion in allocation authority for seven years. Since the NMTC Program was initially enacted, it has been reauthorized three times; most recently, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extended the program through 2011. Additionally, the Hurricane Katrina Gulf Opportunity (GO) Zone Act of 2005 authorized an additional $1 billion in allocation authority toward the rebuilding and renewal of the GO Zone, and the American Recovery and Reinvestment Act (Recovery Act) provided an additional $3 billion in allocation authority to assist in the economic recovery. Combined, Congress has authorized the CDFI Fund to award $33 billion in NMTC authority through 2011.

Additionally, the Tax Relief and Health Care Act of 2006 required that Treasury prescribe regulations to ensure that non-metropolitan counties receive a proportional allocation of Qualified Equity Investments (QEIs). The CDFI Fund's process for ensuring proportional non-metropolitan investment is described in the NMTC Program calendar year (CY) 2011 Notice of Allocation Availability (NOAA).

Results of the First Eight NMTC Allocation Rounds

NMTC allocations are awarded annually through a competitive process. Calendar year 2002 was the first year in which applications for NMTC authority were submitted to the CDFI Fund. To date, the CDFI Fund has completed eight allocation rounds and has made 594 awards totaling $29.5 billion in allocation authority. This amount includes the $3 billion of Recovery Act-authorized allocations ($1.5 billion through the 2008 NMTC allocation round and $1.5 billion through the 2009 NMTC allocation round).

	Applications		**Allocations**	
Round	Number	Amount (Billions)	Number	Amount (Billions)
1	345	$25.8	66	$2.5
2	271	$30.4	63	$3.5
3	208	$22.9	41	$2.0
4	254	$28.3	63	$4.1
5	258	$27.9	61	$3.9
6	239	$21.3	102	$5.0
7	249	$22.5	99	$5.0
8	250	$23.5	99	$3.5
Totals	2,074	$202.6	594	$29.5

Demand for NMTC authority has been high since the program's inception, as 2,074 applicants have requested tax credits supporting a total of more than $202 billion in equity investments – approximately seven times the amount of allocation authority available for distribution by the CDFI Fund. Through the first eight allocation rounds, only about 29 percent of applicants were selected to receive an award. The average tax credit allocation award through the first eight rounds was approximately $49.7 million.

2010 NMTC Allocation Round

In February 2011, the CDFI Fund announced that 99 applicants were awarded $3.5 billion in the NMTC Allocation Round under the 2010 NMTC allocation authority. The 99 applicants selected to receive awards are headquartered in 28 different states and the District Columbia, and they anticipate making awards in 47 different states and the District of Columbia.

These 99 allocatees have committed to achieving results above and beyond minimal program requirements:

- Ninety-seven of the 99 allocatees indicated that 100 percent of their investment dollars would be made either in the form of equity, equity equivalent financing, or debt that is at least 50 percent below market and/or is characterized by at least five concessionary features; with the two remaining allocatees committing to providing debt that is at least 33 percent below market and/or characterized by at least four concessionary features. Such features include, among other things, subordinated debt, reduced origination fees, higher than standard loan-to-value ratios, lower than standard debt service coverage ratios, non-traditional collateral, and longer than standard amortization periods.

- All 99 of the allocatees committed to providing at least 75 percent of their investments to areas of higher economic distress (and/or areas targeted for development by other government programs) than are minimally required under NMTC Program rules.

- All 99 of the allocatees indicated that they will invest more than the minimally required 85 percent of QEI dollars into Qualified Low-Income Community Investments (QLICIs), and 98 of the 99 allocatees indicated that they would invest at least 95 percent of QEI dollars into QLICIs. In real dollars, this means that at least $630 million above and beyond what is minimally required by the NMTC Program rules will be invested into low-income communities.

As detailed in the 2010 Notice of Allocation Authority (NOAA), the CDFI Fund sought to ensure that: (1) an appropriate proportion of awards were provided to "Rural CDEs"; and (2) that at least 20 percent of all dollars invested by allocatees under the 2010 allocation round are invested in non-metropolitan counties. With respect to the first objective, nine allocatees, receiving allocations totaling $450 million, met the criteria for "Rural CDE" designation. In total, 46 of the 99 allocatees are required to deploy some or all of their investments in non-metropolitan counties. This ensures that approximately $682 million will be deployed in non-metropolitan counties after removing costs for CDE administrative expenses.

2011 NMTC Allocation Round

In FY 2011, the CDFI Fund began the application review process for the 2011 allocation round. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 provided $3.5 billion in allocation authority for the 2011 round. Applications for the 2011 allocation round were due on July 27, 2011. The CDFI Fund received 314 applications for the 2011 NMTC allocation round, an increase of 25.6 percent over the 250 applications received in 2010. The applications requested a total of $26.7 billion in NMTC allocation authority, an increase of approximately $3.2 billion over the amount requested in 2010.

NMTC Evaluation Research

In 2007, the CDFI Fund engaged the Urban Institute to conduct a multi-year comprehensive evaluation of NMTC Program outcomes. The research design for the evaluation includes: (1) a review of relevant economic development, performance measurement, and tax credit literature; (2) informal discussions with key NMTC stakeholders; (3) an analysis of existing NMTC administrative data; (4) development of a typology of NMTC projects; (5) an examination of secondary public and private data; and (6) a random sample of case study data collection through phone and online surveys with CDEs, community officials, NMTC investors, and borrowers/investees. The Urban Institute has produced a series of reports for the CDFI Fund, detailing the methodology for the primary surveys that took place in FY 2011. The Urban Institute contract has been extended to March 31, 2012. Based on the revised schedule, the CDFI Fund will receive the final report in February 2012.

The CDFI Fund's Financial Strategies and Research office made important improvements to the CIIS data reporting system in FY 2011 to improve the quality of data being reported by CDEs, including expanding the data collected on fees associated with NMTC transactions.

NMTC Activities to Date

Allocation agreements were executed with each of the 594 allocatees from the first eight rounds. As of September 30, 2011, allocatees had reported raising QEIs totaling more than $23.8 billion. This figure represents almost 80.7 percent of the $29.5 billion in allocation authority issued to CDEs to date. QEI investment has increased each year except in 2009. In calendar year 2010, $4.9 billion in QEIs were raised, the largest amount ever and a 75 percent increase over the $2.8 billion raised in 2009.

Allocatees report QEI and QLICI activity to the CDFI Fund through the Allocation Tracking System (ATS) and Community Investment Impact System (CIIS). Allocatees that have raised QEIs are required to report these investments within 60 days via ATS. Within six months of the end of their fiscal year end, CDEs must complete an annual Institution Level Report (ILR) via CIIS. Allocatees that have made QLICIs are also required to submit an annual Transaction Level Report (TLR) in CIIS. An allocatee's ILR, TLR, and audited financial statements are due 180 days after the end of its fiscal year.

All results in the chart below represent the allocatees' CIIS data reported for fiscal year 2011 (program year 2010). As shown in the table below, for this program year allocatees reported making $4.7 billion of loans and investments in Qualified Active Low Income Community Businesses (QALICBs), and a total of $20.2 billion of loans and investments in QALICBs since the program's inception. In FY 2011, 49.8 percent of the dollars invested were invested in "real estate QALICBs" (i.e., businesses that develop or lease real property for use by others). In addition, 47.3 percent of the dollars were invested in "non-real estate QALICBs" (i.e., operating businesses) in low-income communities, and the remaining 2.9 percent of investments were direct investments into other CDEs. Allocatees reported providing $1 million in financial counseling and other services to 4,027 businesses in low-income communities. Adding together all QLICIs yields a grand total of $20.9 billion of cumulative investments was reported in CIIS since 2003. The data reported in FY 2011 represents the allocatees' 2010 activities.

Annual Performance of NMTC Program Allocatees for FY 2011
(Based on Program Activities Reported in 2010)

Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICI)	**$4,684,702,683**
Number of QLICI	1,033
Real Estate Activity (Investments in QALICB[1])	**$2,333,844,228**
Number of QLICI	500
Non-Real Estate Activity (Investments in QALICB)	**$2,217,817,710**
Number of QLICI	496
Loans/Investments Made to Other Community Development Entities (CDEs)	**$133,040,745**
Number of QLICI	37
Percent of Loans/Investments in Severely Distressed Communities[2]	**72.4%**
Jobs at Reporting Period End	**30,075**

[1] Qualified Active Low-Income Community Businesses
[2] "Severely distressed" communities include Census tracts with poverty rates above 30 percent; or median family incomes below 60 percent of the metropolitan or state median; or unemployment rates greater than 1.5 times the national average.

Projected Construction Jobs	**37,669**
Affordable Housing Units Financed	**1,305**
Rental Units	714
Owner Units	591
Square Feet of Commercial Real Estate	**15,482,023**
Manufacturing	1,172,123
Office	9,494,711
Retail	4,815,189
Businesses Financed	**496**
Financial Counseling and Other Services	
Total Investments	$1,044,290
Number of Businesses Served	4,027

Cumulative Performance of NMTC Program Allocatees[1]
(Based on Program Activities Reported in 2003-2010)

Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICI)	**$20,864,397,009[2]**
Number of QLICI	5,561
Real Estate Activity (Investments in QALICB)	**$12,516,513,081**
Number of QLICI	2,751
Non-Real Estate Activity (Investments in QALICB)	**$7,672,600,485**
Number of QLICI	2,588
Loans/Investments Made to Other Community Development Entities (CDEs)	**$675,283,443**
Number of QLICI	222
Percent of Loans/Investments in Severely Distressed Communities	**71.8%**
Jobs at Reporting Period End	**97,078**
Projected Construction Jobs	**205,296**
Affordable Housing Units Financed	**5,125**
Rental Units	2,517
Owner Units	2,608
Square Feet of Commercial Real Estate	**92,856,324**
Manufacturing	12,389,663
Office	43,121,982
Retail	37,344,679
Businesses Financed[3]	**1,556**
Financial Counseling and Other Services	
Total Investments	$32,196,386
Number of Businesses Served	25,972

[1] Numbers of Qualified Low-Income Community Investments (QLICI) refer to the number of transactions, not the number of New Markets Tax Credit projects.
[2] An additional $36,623,737 in QLICI was not reported into any of the three categories below.
[3] The cumulative estimate of businesses financed nets out those businesses that have reported in multiple years as part of the same project.

Bank Enterprise Award Program

The Bank Enterprise Award Program (BEA Program) recognizes the key role played by traditional financial institutions in community development lending and investing. Through the BEA Program, the CDFI Fund provides monetary awards to regulated banks and thrifts for increasing their investments and financial activities in economically distressed communities (those with high poverty and unemployment) and/or investments in CDFIs. The size of the award is a percentage of the increase in activities from one annual reporting period to the next.

Providing monetary awards for community reinvestment leverages the CDFI Fund's dollars and puts more capital to work in distressed communities throughout the nation. The BEA Program is highly targeted to areas with larger populations. In general, approximately 4,000 Census Tracts qualify as distressed communities under the program.

BEA Program awards are based on the increase in the amount of Qualified Activities from a Baseline Period to a later Assessment Period (the corresponding time in the following year). Qualified Activities consist of financial assistance provided to certified CDFIs, loans made by financial institutions in distressed communities (for example, affordable housing loans, small business loans, and real estate development loans), and financial services provided in distressed communities (such as access to automated teller machines and opening of savings accounts).

Promoting CDFI Investments through the BEA Program

The BEA Program prioritizes three main types of bank activities. The first priority is to increase banks' financial support of CDFIs in order to build CDFI self-sufficiency and capacity (referred to as CDFI-Related Activities). The second and third priorities are to build the capacity of FDIC-insured depository institutions to expand their community development lending and investments in severely underserved areas (referred to as Distressed Community Financing Activities and Service Activities, respectively).

The CDFI Fund makes awards to applicants in the CDFI-Related priority before making awards to applicants in the Distressed Community Financing Activities priority and Service Activities priority. The prospect of a BEA Program award encourages banks to achieve this first priority by providing low-cost capital and operating support to CDFIs, which has helped to create and sustain a network of CDFIs. CDFIs serve as conduits for banks to better serve highly distressed neighborhoods.

Eligibility

All FDIC-insured depository institutions are eligible to apply for a BEA Program award. As stated above, the BEA Program rewards actual increases in the dollar volume of Qualified Activities from a Baseline Period to a later Assessment Period. Qualified Activities for each of the three main types of bank activities include:

1) CDFI-Related Activities: Equity investments (grants, stock purchases, purchases of partnership interests, limited liability company membership interests, or equity-like loans); and CDFI support activities (loans, deposits or technical assistance) to certified CDFIs (referred to as CDFI Partners).

2) Distressed Community Financing Activities: Loans or investments for affordable home mortgages, affordable housing development, education, home improvement, small businesses, and commercial real estate development in economically distressed communities.

3) Service Activities: Deposits, financial services (such as check-cashing, money orders, or certified checks), targeted retail savings/investment products (such as electronic transfer accounts - ETAs), targeted financial services (such as individual development accounts - IDAs), or community services provided to low- to moderate-income individuals or the institutions serving them.

FY 2011 BEA Program Awards

In FY 2011, the CDFI Fund received 82 eligible applications requesting a total of approximately $78 million, compared to 76 applications requesting a total of approximately $94 million in FY 2010. FY 2011 applicants are headquartered in 23 states and the District of Columbia, compared to the 20 states and the District of Columbia represented in the prior year. Due to the delays in finalizing the FY 2011 appropriations, the CDFI Fund's BEA Program awards will not be announced until the first quarter of FY 2012.

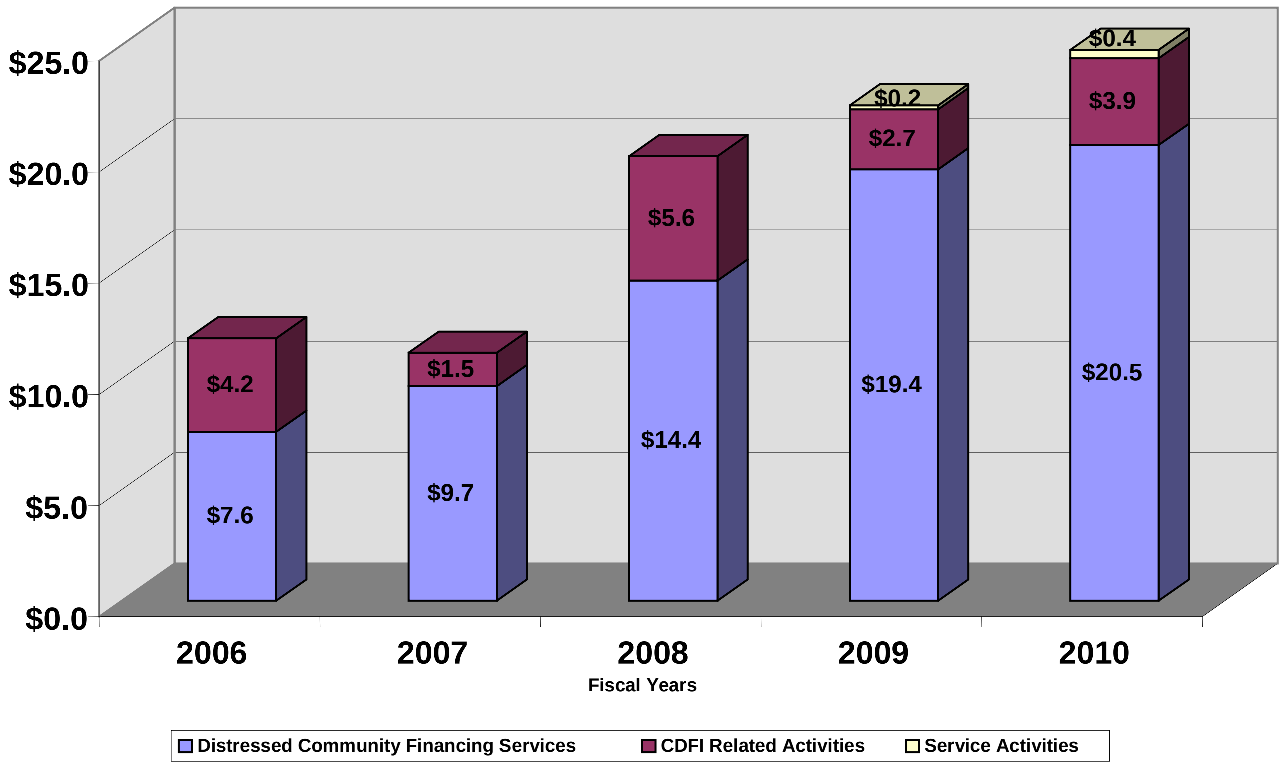
FY 2011 BEA Community Impact

FY 2011 BEA Program applicants increased their qualified community development activities by $353.6 million over the prior year's awardees:

- $269.4 million increase in loans and investments in distressed communities;
- $80.9 million increase in loans, deposits, and technical assistance to CDFIs; and
- $3.3 million increase in the provision of financial services in distressed communities.

The trend of investments in distressed communities and investments in CDFIs by prior years' BEA awardees is shown in the Distribution of BEA Program Awards by Category chart.

Distribution of BEA Program Awards by Category ($millions)



* The 2011 BEA Program award announcement is expected during the first quarter of FY 2012.

Financial Education and Counseling Pilot Program

The program goals of the Financial Education and Counseling Pilot Program (FEC Pilot Program) are to identify successful methods resulting in positive behavioral change for financial empowerment, and to establish program models for organizations to carry out effective financial education and counseling services to prospective homebuyers.

In FY 2010, the CDFI Fund was appropriated $4.1 million for the FEC Pilot Program, of which $3.1 million was specifically appropriated for an award to an organization located in the State of Hawaii and $1 million was appropriated in FY 2010 for the FEC Pilot Program. The CDFI Fund released the NOFA for this program on May 28, 2010, and made award determinations in the first quarter of FY 2011. FY 2010 awardees are located in Florida, Hawaii, New Mexico, and Pennsylvania.

Reporting on program impact will begin in FY 2011. No funding was appropriated for FY 2011.

Capital Magnet Fund

In its inaugural FY 2010 funding round for the Capital Magnet Fund (CMF), the CDFI Fund announced $80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The CMF awards will be used to increase capital investment for the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities. The CDFI Fund received a total of 230 applications requesting $1 billion for the FY 2010 CMF funding round. No funding was appropriated for FY 2011.

In FY 2013, the CDFI Fund will baseline awardees' performance reporting. In the first five years, awardees will be required to report on the leveraging and use of CMF dollars and, once the funds are fully deployed, will report annually the number of affordable housing units developed, the number/percentage of low-income renters/owners, and the number/percentage of very low-income renters/owners.

CDFI Bond Guarantee Program

The CDFI Bond Guarantee Program (BGP) was enacted through the Small Business Jobs Act of 2010 on September 27, 2010. The BGP will provide a 100 percent guarantee by the United States government of bonds or notes including principal, interest, and call premiums issued by CDFIs or other Qualified Issuers. The Treasury Department may guarantee up to 10 bonds per year with each guarantee at a minimum of $100 million and the total guarantee not to exceed $1 billion per year. The maximum maturity of the guaranteed bonds is 30 years and the guarantee authority terminates on September 30, 2014. Section 1703 of the legislation includes $13.5 million to remain available until September 30, 2012, for the costs of administering the BGP in accordance with section 1134 of the Small Business Jobs Act which amended the Community Development Banking and Financial Institutions Act of 1994, 12 U.S.C. 4701 et seq. by adding a new section 114A.

The CDFI Fund is required to implement the program by September 27, 2012. In FY 2011, and through the publication date of this document, the CDFI Fund has: (1) hired two staff members and is interviewing for vacant positions; (2) reviewed and analyzed the transcript from a listening session held in September 2011; (3) published a Request for Public Comments and reviewed the responses received from 61 organizations; (4) selected a contractor for subsidy rate/credit scoring modeling; and (5) drafted regulations and begun to develop BGP materials, including the Regulatory Impact Analysis, among others.

Status of Financial Management

This section includes the assurance statement required under the Federal Managers' Financial Integrity Act, a summary of the results of the FY 2011 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2011, and a discussion of the CDFI Fund's financial position and results of operations during the past fiscal year.

Management Assurances

The CDFI Fund is responsible for establishing and maintaining effective internal control over financial reporting and has made a conscientious effort in FY 2011 to meet the internal control requirements of the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA), Office of Management and Budget (OMB) Circular A-123, and the Reports Consolidation Act of 2000. The CDFI Fund is operating in accordance with the procedures and standards prescribed by the Comptroller General and OMB guidelines.

The systems of management control for the CDFI Fund offices are designed to ensure that:

(a) Programs achieve their intended results;
(b) Resources are used consistent with overall mission;
(c) Programs and resources are free from waste, fraud, and mismanagement;
(d) Laws and regulations are followed;
(e) Controls are sufficient to minimize any improper or erroneous payments;
(f) Performance information is reliable;
(g) System security is in substantial compliance with all relevant requirements;
(h) Continuity of operations planning in critical areas is sufficient to reduce risk to reasonable
Levels; and
(I) Financial management systems are in compliance with federal financial systems standards.

For all CDFI Fund responsibilities under my supervision, I provide herein *reasonable assurance* that the above listed management control objectives, taken as a whole were achieved by our office during FY 2011, except for the material weaknesses noted below. Specifically, this assurance is provided with reference to Sections 2 and 4 of the FMFIA. I further assure that the CDFI Fund's financial management systems are in substantial compliance with requirements imposed by FFMIA.

My assurance is based on the CDFI Fund's assessment of management and internal controls, including existing policies and procedures, knowledge gained from daily management activities, the review of various management information reports attendant to those activities, reports and reviews by internal and external auditors, our annual review performed pursuant to the Improper Payments Information Act, and our own understanding of the requirements imposed by both FMFIA and FFMIA.

The following are the material weaknesses identified by KPMG in the course of its audit of the CDFI Fund's FY 2011 financial statements, and the CDFI Fund's management responses.

1. KPMG found that the CDFI Fund did not consistently follow its policies and procedures related to grant disbursements. KPMG recommended that the CDFI Fund refine its policies, procedures, and controls to ensure that funds are not disbursed prior to the effective date of the grant agreement and that all grant agreements be dated.

The CDFI Fund concurs with the recommendation. The CDFI Fund acknowledges that incorrect Effective Dates were inserted on a subset of FY 2011 CDFI Program grant agreements, which may lead to an impression that some award funds may have been disbursed without prior, required approvals and authorizations. We do not believe such to be the case, however, since an award package is not forwarded through the disbursement system without proper signatures and approvals, regardless of whether the Effective Date is correct or incorrect. As noted in the finding, the auditors did not note any misstatement of the CDFI Fund's financial statements as a result of this issue. Going forward, the CDFI Fund will take measures to ensure that the correct Effective Date is entered on the date that the CDFI Fund signs a grant agreement.

2. KPMG found that the CDFI Fund does not have appropriate procedures and controls in place for the programmatic staff and the financial staff to communicate and determine the existence of approved but undisbursed awards that would require period-end accrual. KPMG recommended that the CDFI Fund implement policies and procedures to identify grant agreements that are effective at year end but have not been disbursed and would require expense recognition and accrual under generally accepted accounting principles.

The CDFI Fund concurs with the recommendation. The CDFI Fund has procedures and controls in place for programmatic and financial staff to communicate and determine the existence of approved but undisbursed Bank Enterprise Awards that require year-end accrual. As CDFI Program grant approvals and disbursements usually do not span year-end, similar procedures and controls were not in place for these grants. Fiscal year 2011 was an anomaly in that the CDFI Program grants were approved significantly later than normal due to budget delays which resulted in approvals and disbursements to cross fiscal years. The CDFI Fund will work with our partners in the Office of Financial Management and the Bureau of Public Debt to: (1) clarify roles and responsibilities for all parties involved in the accrual process and (2) implement policies, procedures and controls to ensure all awards payable are properly accrued at year-end.

Donna J. Gambrell

Donna Gambrell

Director, CDFI Fund

Description of the CDFI Fund's Financial Management System

The CDFI Fund contracts for accounting services through a franchise agreement with the Bureau of the Public Debt's Administrative Resource Center (ARC) in Parkersburg, West Virginia. While the ARC maintains the accounting system relating to the CDFI Fund's transactions, the CDFI Fund is responsible for the generation of all source documents and the accuracy of all accounting information.

The CDFI Fund's financial management system includes the disbursement transactions maintained by ARC in the accounting system, as well as records maintained and procedures performed by the CDFI Fund's financial management staff in the Office of Financial Management. The CDFI Fund's resource manager and the Treasury Office of Financial Management (OFM) are responsible for the administrative control of its funds, budget formulation and execution, and review and analysis of financial information.

Results of FY 2011 Financial Statement Audit

The FY 2011 audit of the CDFI Fund's financial statements resulted in an unqualified opinion with the following two material weaknesses: 1. Improvements are needed in policies, procedures, and controls for disbursing grants, and 2. Improvements are needed in policies, procedures, and controls for identifying grant accruals. The CDFI Fund Management concurred with these material weaknesses and responses are included in the Management Assurances Statement.

FY 2011 Financial Management Initiatives

In FY 2011, financial management focus was on continuing to implement the information technology initiatives identified in FY 2010.

Community Investment Impact System (CIIS)

CIIS is a Web-based system designed to collect an Institution Level Report (ILR) and Transaction Level Report (TLR) from CDFIs and CDEs. The CIIS data collected from CDFIs include each organization's profile, financial position, portfolio, community impacts, development services, other products and services, and compliance measures. The CIIS data collected from CDEs include each organization's profile, QEI distribution, portfolio, loan purchases, and financial counseling and other services.

Cumulatively through FY 2010, CIIS was used by 570 CDFIs and 232 CDEs to report institutional-level data, with 39 organizations reporting in both categories. Through FY 2010, a cumulative 233 organizations submitted data on more than 415,000 transactions in CDFI loan/investment portfolios.

In FY 2011, the CDFI Fund used the CIIS data to analyze the CDFIs' loan and investment portfolios, capital under management, operating revenues, and overall financial strength to assess the impact of the financial crisis and recession on the performance of CDFIs. The analysis was published in March 2011 in a document entitled *The Financial Crisis and CDFIs: A Brief Look at 2007-2009 CIIS Data.* FY 2011 marked the third time that the CDFI Fund made the CIIS data available to the public (within the parameters of applicable Federal information protection, privacy and confidentiality laws).

In accordance with the Transparency Act, the Privacy Act and other applicable laws and regulations, the CDFI Fund is preparing to release to the public CDFI institutional and transactional level CIIS data for the 2004-2010 reporting years. The last data release for the 2003-2005 reporting period included only data from the Institutional Level Report (ILR) and took place in December 2007. Since then, the size and scope of the CDFI data have increased significantly by two orders of magnitude as it now includes detailed Transaction-Level Report (TLR) data.

In order to comply with the Privacy Act, any personal information identifying borrowers as well as their race, gender, etc. has been suppressed. In addition, in order to ensure the anonymity of borrowers and investors all location information has been limited to city, state, five-digit zip code, and Census tract. Additional safeguards are also in place.

The main CIIS data files have been combined into four files:

1. The Institutional Level Report (ILR) is required of all awardees and contains basic information on an organization's financials, staffing levels and social impact metrics.
2. The Financial Transactional Level Report (TLR) contains detailed financial information including loan rates and terms, social impact metrics, and transaction status (e.g. delinquencies, charge-offs, etc.), and is required of most awardees.
3. TLR Address: Transaction Level Report contains the physical location (city, state, zip, and Census tract) of all applicable transactions included in the TLR Financial file.
4. Portfolio Summary File contains summary data on loans originated and total portfolio outstanding. This file allows comparison of ILR and TLR data across all CDFIs.

The CDFI Fund expects to complete this data release by December 2011.

Use of Grants.gov for Paperless Processing of Grant Applications

The Federal Financial Assistance Management Improvement Act (FFAMIA) requires all federal grant-making agencies to migrate 100 percent of their electronic grant program applications to the Grants.gov system administered by the Department of Health and Human Services. In compliance with the FFAMIA, CDFI Fund ensured that all FY 2011 grant applications were processed electronically through Grants.gov. CDFI Fund intends to continue working with Grants.gov for its future grant awards.

Migration to an Award Management Information System for Internal Application Processing

The FFAMIA requires that federal grant-making agencies migrate their electronic grant processing systems to one of three federally selected Centers of Excellence (CoE). This initiative is known as the "Grants Management Line of Business" (GMLoB).

In July 2010, the CDFI Fund requested a waiver from compliance with GMLoB requirements. The Office of Management and Budget (OMB) approved the request, noting that the CDFI Fund's fit-gap analysis demonstrated that none of the approved consortia aligned well with the CDFI Fund's business processes. OMB also approved the CDFI Fund's request to acquire a new commercial off-the-shelf product to replace its legacy business systems. This product, the Award Management Information System (AMIS), will be an enterprise business system to meet the CDFI Fund's award and tax credit allocation management requirements.

The CDFI Fund is in the planning phase of acquiring AMIS. The CDFI Fund has analyzed its mission-oriented business processes and developed a single, enterprise business model that streamlines and eliminates redundancies, and removes stove-piped and program-specific procedures. By streamlining business processes and leveraging modern automation and technology, the CDFI Fund expects to be able to handle larger volumes of grants, tax credits, and loan portfolios while achieving more transparency and better data quality, and providing better service to customers.

The CDFI Fund is in the process of developing an acquisition package for AMIS, expecting to award an AMIS contract in FY 2012 and complete deployment of AMIS throughout the CDFI Fund in FY 2014.

Federal Funding Accountability and Transparency Act

Effective October 2010, the Federal Funding Accountability and Transparency Act of 2006 (FFATA) and its 2008 amendments require that all federal grant-making agencies report on their grant activities on a publicly viewable website, USASpending.gov. This creates a new obligation for awardees under the CDFI Fund's grant programs to maintain active accounts in the Central Contractor Registration System, to identify their locations, the places where most of their activities are concentrated, provide information about any first-tier subawards and about the compensation of the five most highly paid people within the organizations (subject to certain thresholds). In order to comply with this requirement, the CDFI Fund includes the standard award terms as stipulated by FFATA in its assistance agreements and monitors the data quality of the information provided to the USASpending.gov through the Federal Assistance Award Database System Plus. In addition, the CDFI Fund has developed complementary guidance and highlights FFATA reporting requirements during post-award web-seminars for all of the grant programs at the CDFI Fund to include the CDFI Program, the NACA Program, the FEC Program, the CMF, and other programs that Congress may authorize and appropriate for the CDFI Fund to administer.

Improper Payments Elimination and Recovery Act of 2010 (IPERA)

On July 22, 2010, President Obama signed into law the Improper Payments Elimination and Recovery Act (IPERA, Pub. L. 111-204). Office of Management and Budget (OMB) implementing guidance Memorandum M-11-04, *Increasing Efforts to Recapture Improper Payments by Intensifying and Expanding Payment Recapture Audits*, dated November 16, 2010, states that bureaus are responsible for increasing efforts to recapture improper payments by intensifying and expanding Payment Recapture Audits under IPERA. The CDFI Fund is working with the Bureau of Public Debt and Departmental Offices in order to prevent and recapture improper payments.

Management Responsibilities

CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with accounting principles generally accepted in the United States of America. Management is also responsible for the fair presentation of the CDFI Fund's performance measures in accordance with the Office of Management and Budget requirements. The quality of the CDFI Fund's internal control structure rests with management, as does the responsibility for identification of and compliance with applicable laws and regulations.

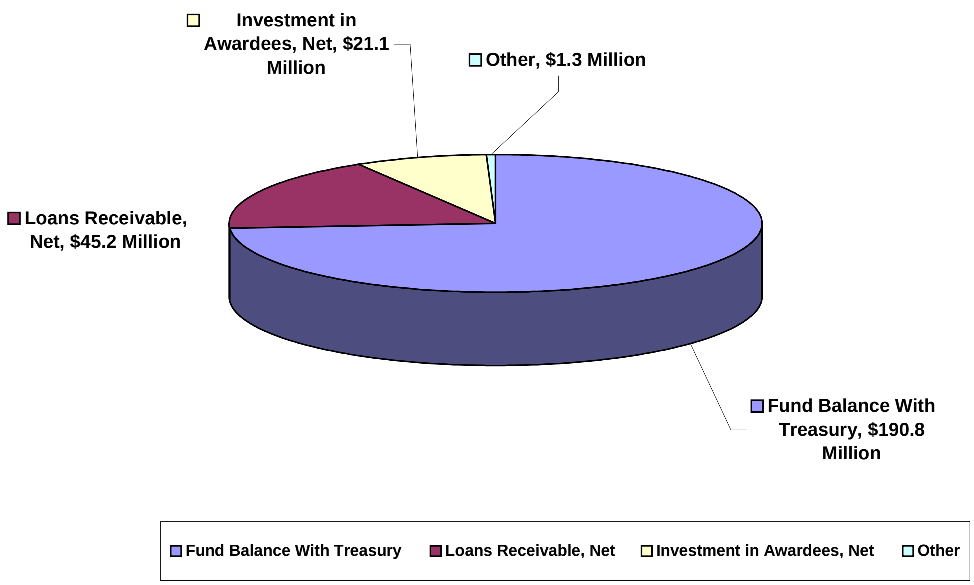
Limitations of the Financial Statements

The financial statements report the financial position and results of operations of the CDFI Fund for the fiscal years ending on September 30, 2011 and 2010, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the CDFI Fund in conformity with accounting principles generally accepted in the United States of America, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity.

Analysis of Financial Position and Results of Operations

Summarized Financial Data (Amounts in Millions)	FY 2011	FY 2010	Increase / (Decrease)
Assets	$258.4	$271.9	($13.5)
Liabilities	$80.1	$74.8	$5.3
Net Position	$178.2	$197.1	($18.9)
Revenue and Financing Sources	$248.3	$171.8	$76.5
Expenses	$249.5	$178.1	$71.4
Shortage of Revenue and Financing (Net Loss)	($1.2)	($6.3)	$5.1

Allocation of Fund Assets as of September 30, 2011
Amounts in Millions



Assets

Assets decreased by $13.6 million during FY 2011, consisting primarily of a decrease in the Fund Balance with Treasury which includes appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments.

Fund Balance with Treasury

The Fund Balance with Treasury reflected a ($12.9) million change from the prior year, due to differences in the timing of when appropriation revenue is received versus when expenses are paid.

Loans Receivable

Loans receivable are increased when loan awards (under the CDFI and NACA programs) are disbursed by the CDFI Fund and decreased for loan repayments and loan write-offs. During FY 2011, net loans increased by $1.0 million, resulting, in part, from loan repayments of $3.2 million and a decrease in the allowance for bad debts of $4.2 million. The CDFI Fund received less loan modification requests from awardees resulting in a decrease in the allowance for bad debts.

Investments

The CDFI Fund currently holds five types of investments with net balances as follows:

- Non-voting equity securities - $14.6 million
- Convertible subordinated debt - $0.4 million
- Limited partnerships - $2.6 million
- Secondary Capital - $3.4 million
- Certificates of Deposit - $0.15 million

The primary source of financial data used for the majority of assessments is the most recent audited financial statements of the investees. These assessments determine whether any other–than–temporary impairments should be recognized.

Liabilities

The increase in liabilities during the year of $5.3 million consisted primarily of an increase in awards payable of $10.9 million and a decrease in debt of $6.0 million.

Awards Payable

Awards payable consists of CDFI Program FA awards of $37.8 million and CMF awards of $5.0 million. Awards payable increased by $10.9 million in FY 2011 as many CDFI Program awards were announced in September, 2011 and disbursed in FY 2012. The announcement of FY 2011 BEA awards was not made prior to September 30, 2011.

Debt

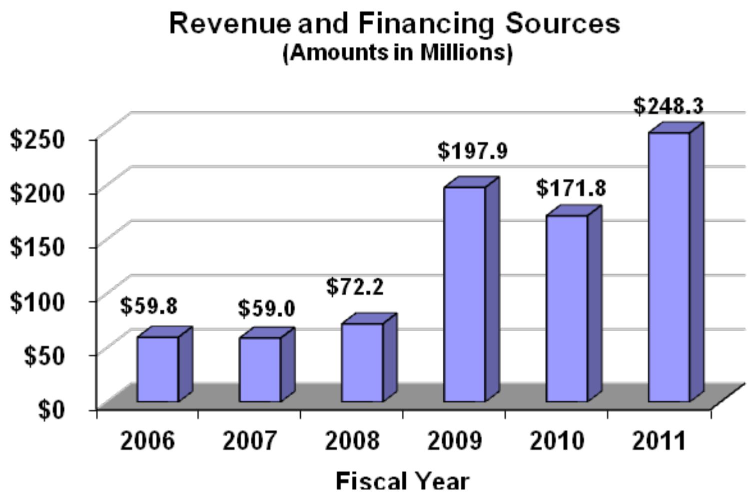
During FY 2011, the CDFI Fund borrowed $1.1 million due to a downward subsidy reestimate and $0.7 million to meet annual interest payments due to the Treasury Department, at interest rates ranging partly from 1.85% to 6.48%, depending on maturity dates or risk categories. The CDFI Fund borrowing was partly offset by the repayments of amounts borrowed from Treasury totaling $7.8 million to fund loans to awardees. Principal repayments collected from awardee loans during the year are used to repay the Treasury borrowings, and therefore amounts collected and repaid to Treasury each year will vary from year to year, as they are a function of awardee loan terms.

Net Position

Net position decreased during the year by $18.9 million. Net position will change during the year as a result of the following: 1) the difference between appropriations received (net of appropriations cancelled, rescinded and adjusted for credit subsidy reestimates) and appropriations used; 2) any adjustment of the CDFI Fund's subsidy reestimate, and 3) the excess (shortage) of revenue and financing sources over (under) expenses. During FY 2011, appropriations received and appropriations for subsidy reestimate (net of amounts cancelled, rescinded and downward subsidy reestimate) were $228.3 million, and appropriated capital used was $245.9 million resulting in a decrease in net position of $17.6 million. Net position decreased further due to the $1.2 million loss recorded by the CDFI Fund in FY 2011.

Revenue and Financing Sources

The primary source of revenue and financing sources for the CDFI Fund is the annual appropriation used to fund expenses ("appropriated capital used" as reflected in the statement of operations). Pursuant to Federal grant accounting requirements, the amount of appropriated funds recognized as revenue is, with certain adjustments, equal to the amount of operating expenses for the year. Operating expenses for the year excluding those paid by others were $246.0 million.



Expenses

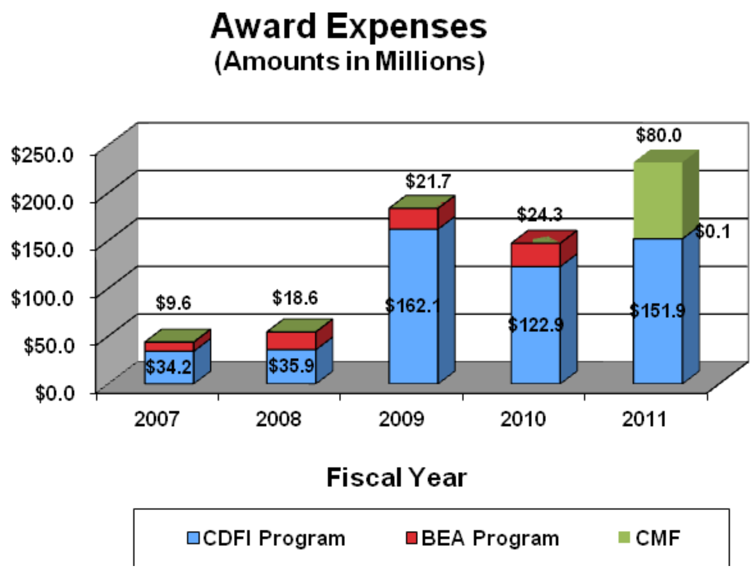
The change in the CDFI Fund's operating expenses, excluding administrative expenses paid by others during FY 2011 and FY 2010, consisted of the following:

Comparison of Operating Expenses
Excluding Administrative Expenses Paid by Others
Fiscal Years 2011 and 2010
(Amounts in Millions)

	FY 2011	FY 2010	Difference
Award Expenses	$232.0	$147.2	$84.8
Administrative Expenses	$18.2	$19.4	($1.2)
Bad Debt Expense	($4.2)	$2.4	($6.6)
Total Operating Expenses	$246.0	$169.0	$77.0

Award Expenses

Award expenses during the year increased $84.8 million primarily due to $80.0 million in CMF awards. CDFI Program awards increased $29.0 million and BEA Program awards decreased $24.2 million. The CDFI Program awards increased due to increase in appropriated funding which included $25 million for the Healthy Food Financing Initiative under the Financial Assistance component of the program. The FY 2011 BEA awards were not announced prior to September 30, 2011.



Administrative Expenses
Administrative expenses decreased by $1.3 million during FY 2011 primarily due to a $0.5 million decrease in communications shared services expense under the Working Capital Fund and a $0.6 million decrease in contractual services resulting from a change in vendors.

Bad Debt Expense
Bad debt expense is a function of the amount of loans receivable at year-end and the loan modifications made during the year. The CDFI Fund performs an analysis process that includes a loan-by-loan review using key financial ratios from the awardees' most recent audited financial statements. This analysis results in both specific and general estimates of allowance necessary for FY 2010 and FY 2011. Bad debt expense decreased during FY 2011 by $4.2 million as fewer CDFI Fund borrowers requested modifications to their loan agreements in order to meet their financial obligations.

Net Loss
As stated above, the amount of appropriated capital used (the largest component of the CDFI Fund's revenue) is, with certain adjustments, equal to the amount of operating expenses for the year. Accordingly, the shortage of revenue and other financing sources over expenses (net loss) will consist of the amount by which expenses not covered by budgetary resources exceeds revenue and financial sources other than appropriated capital used.

For FY 2011, expenses not covered by budgetary resources totaled $1.9 million, consisting of interest expense on Treasury borrowings. Interest and dividend income totaled $1.5 million.

In FY 2011, the CDFI Fund recorded an investment impairment loss of $0.8 million.

Independent Auditors’ Report

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the accompanying statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2011 and 2010, and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended. These financial statements are the responsibility of the CDFI Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Development Financial Institutions Fund as of September 30, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The information in the Community Development Financial Institutions Fund Overview, Program Discussion and Analysis, and Status of Financial Management sections is not a required part of the financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The information in the appendices is presented for purposes of additional analysis and are not required as part of the financial statements. This information has not been subject to auditing procedures and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2011, on our consideration of the CDFI Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 10, 2011

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Internal Control Over Financial Reporting

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2011 and 2010 and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 10, 2011.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the CDFI Fund is responsible for establishing and maintaining effective internal control. In planning and performing our fiscal year 2011 audit, we considered the CDFI Fund's internal control over financial reporting by obtaining an understanding of the design effectiveness of the CDFI Fund's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, in our fiscal year 2011 audit, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in Exhibit I to be material weaknesses.

The CDFI Fund's responses to the findings identified in our audit are presented in Exhibit II. We did not audit the CDFI Fund's responses and, accordingly, we express no opinion on them.

Exhibit III presents the status of the prior year's significant deficiency.

This report is intended solely for the information and use of the addressees, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2011

Exhibit I

Community Development Financial Institutions Fund

Material Weaknesses and Recommendations

I – A Grant Accruals

During our fiscal year 2011 testing of completeness of the Community Development Financial Institutions Fund's (CDFI Fund) accruals at September 30, 2011, we noted four exceptions totaling $4,120,900 out of a sample of six disbursement totaling $7,120,900. These exceptions related to CDFI grants (excluding BEA grants) for which the cash disbursement occurred in October 2011, but the grants were approved (i.e. the agreement was fully executed) on or before September 30, 2011. Accordingly, such amounts were neither accrued as awards payable nor recognized as expenses as of September 30, 2011. Further necessary testing by management on the remaining population identified an additional $27,811,761 that was also not properly accrued as of September 30, 2011 for a total of $31,932,661.

The Office of Management and Budget Circular A-123 Management's Responsibility for Internal Control states that "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations."

The CDFI Fund Financial Statements describe the accounting policies that are in accordance with U.S. Generally Accepted Accounting Principles. Specifically related to grants, and consistent with overall accrual principles, the accounting policy for Awards Payable states, "CDFI Program grant expense is recognized and awards payable are recorded when the fund is made aware, in writing, that the awardee has met the conditions required for payment and the CDFI Fund approves a grant disbursement to be made."

The CDFI Fund does not have a policy in place to identify CDFI grants (excluding BEA grants) that have been approved for disbursement but have not been disbursed at period end. There were not appropriate procedures and controls in place for the programmatic staff and the financial staff to communicate and determine the existence of approved but undisbursed awards that would require period-end accrual.

Awards payable on the Statements of Financial Position and appropriations revenue and CDFI grants expense on the Statements of Operations and Changes in Net Position have been corrected to reflect a prior understatement of $31,932,661. Unexpended appropriations on the Statements of Financial Position have been corrected to reflect a prior overstatement of $31,932,661.

Recommendation:

We recommend that management of the CDFI Fund implement policies, procedures and controls to identify grant agreements that are effective at year end but have not yet been disbursed and would thus require expense recognition and accrual as awards payable as well as recognition of related appropriations revenue.

Exhibit I

Community Development Financial Institutions Fund

Material Weaknesses and Recommendations

I – B Grant Disbursements

During our fiscal year 2011 testing of the Community Development Financial Institutions Fund's (CDFI Fund) grant disbursements, we noted the following:

- Seven of 54 grants selected during our final testwork sample were disbursed prior to the effective date of the grant assistance agreement.
- One of 54 grants selected during our final testwork sample was disbursed without an effective date on the grant assistance agreement, and it was thus inconclusive whether funds were disbursed prior to the execution of the agreement.

The Office of Management and Budget Circular A-123 Management's Responsibility for Internal Control states that "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations." It also states that "Management shall consistently apply the internal control standards to meet each of the internal control objectives and to assess internal control effectiveness."

The CDFI Fund website at http://www.cdfifund.gov/what_we_do/awardees.asp states, "The Assistance Agreement contains standard terms and conditions for all awardees/allocatees as well as terms and conditions that are specific to each awardee/allocatee. The Assistance Agreement or Allocation Agreement must be agreed to and signed by both the CDFI Fund and the awardee/allocatee before the CDFI Fund can disburse any award dollars to an awardee or an allocatee can utilize its allocation of tax credits." We have been informed by management that this constitutes the CDFI Fund's operational policy.

The CDFI Fund did not consistently follow its policies and procedures related to grant disbursements.

For certain sampled grants, funds were disbursed prior to the execution of a grant agreement. While no resultant misstatement was detected at year-end, this deficiency could cause the financial statements to be misstated, specifically, appropriations revenue and grants expense could be reflected in the wrong fiscal year.

Recommendation:

We recommend that management of the CDFI Fund further refine its policies, procedures and controls to require that funds not be disbursed prior to the effective date of the grant agreement and that all grant agreements be dated.

Exhibit II

Community Development Financial Institutions Fund

Management's Responses to Material Weaknesses and Recommendations

Grant Accruals

The CDFI Fund concurs with the finding and the recommendation.

The CDFI Fund has procedures and controls in place for programmatic and financial staff to communicate and determine the existence of approved but undisbursed Bank Enterprise Awards that require year-end accrual. As CDFI Program grant approvals and disbursements usually do not span year-end, similar procedures and controls were not in place for these grants. Fiscal year 2011 was an anomaly in that the CDFI Program grants were approved significantly later than normal due to budget delays which resulted in approvals and disbursements to cross fiscal years. The CDFI Fund will work with our partners in the Office of Financial Management and the Bureau of Public Debt to: (1) clarify roles and responsibilities for all parties involved in the accrual process and (2) implement policies, procedures and controls to ensure all awards payable are properly accrued at year-end.

Grant Disbursements

The CDFI Fund concurs with the finding and the recommendation.

The CDFI Fund acknowledges that incorrect Effective Dates were inserted on a subset of FY 2011 CDFI Program grant agreements, which may lead to an impression that some award funds may have been disbursed without prior, required approvals and authorizations. We do not believe such to be the case, however, since an award package is not forwarded through the disbursement system without proper signatures and approvals, regardless of whether the Effective Date is correct or incorrect. As noted in the recommendation, the auditors did not note any misstatement of the CDFI Fund's financial statements as a result of this issue. Going forward, the CDFI Fund will take measures to ensure that the correct Effective Date is entered on the date that the CDFI Fund signs a grant agreement.

Exhibit III

Community Development Financial Institutions Fund

Status of Prior Year's Finding

Fiscal Year 2010 Finding	Deficiency Type	Fiscal Year 2011 Status
1) Improvements are needed in accounting for investments	Significant Deficiency	Closed

KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report on Compliance and Other Matters

Inspector General
U.S. Department of the Treasury

Director
Community Development Financial Institutions Fund

We have audited the statements of financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) as of September 30, 2011 and 2010, and the related statements of operations and changes in net position, and cash flows (hereinafter referred to as "financial statements") for the years then ended, and have issued our report thereon dated November 10, 2011.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the CDFI Fund is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the CDFI Fund. As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements are free of material misstatement, we performed tests of the CDFI Fund's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the CDFI Fund. 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 of compliance discussed in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

This report is intended solely for the information and use of the addressees, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2011

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2011 and 2010

		2011	2010
Assets			
Fund Balance with Treasury (Note 4)	$	190,790,334	203,706,636
Advances and prepayments		268,995	245,855
Loans receivable, net of allowance for bad debts of $7,052,981 in 2011 and $11,278,017 in 2010 (Note 5)		45,247,578	44,271,564
Investments, amortized cost (Note 6)		3,922,396	3,849,089
Investments, cost method (Note 8)		14,610,771	15,388,420
Investments, equity method (Note 9)		2,615,220	3,018,116
Interest and other receivable		296,172	443,960
Internal-use software, net of accumulated amortization of $4,291,958 in 2011 and $3,940,101 in 2010		601,597	600,251
Internal-use software in development		-	414,272
Total assets	$	258,353,063	271,938,163
Liabilities and Net Position			
Accounts payable	$	636,399	230,013
Awards payable		42,752,841	31,893,723
Accrued payroll		479,408	443,985
Accrued annual leave		510,498	512,024
Debt (Note 10)		35,731,306	41,739,350
Total liabilities		80,110,452	74,819,095
Commitments (Note 11)			
Unexpended appropriations (Note 12)		160,937,168	178,568,702
Cumulative results of operations		17,305,443	18,550,366
Total net position		178,242,611	197,119,068
Total liabilities and net position	$	258,353,063	271,938,163

The accompanying notes are an integral part of these statements

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
Years Ended September 30, 2011 and 2010

		2011	2010
Revenue and financing sources:			
Appropriations	$	245,929,283	169,030,773
Imputed other income - expenses paid by others (Note 13)		895,512	939,110
Interest, non-federal		1,062,081	1,227,300
Interest, federal		134,717	178,197
Dividends		130,780	147,551
Other		78,587	-
Equity in income of associates, net		74,109	315,050
Total revenue and financing sources		248,305,069	171,837,981
Expenses:			
CDFI and CMF grants (Note 14)		231,927,165	122,881,601
BEA grants		125,100	24,345,852
Administrative expenses (Note 15)		18,183,728	19,446,152
Increase in (reversal of) bad debt expense		(4,225,036)	2,391,106
Administrative expenses paid by others (Note 13)		895,512	939,110
Total operating expenses		246,906,469	170,003,821
Interest expense, federal		1,865,874	2,135,638
Impairment losses		777,649	6,015,618
Total expenses		249,549,992	178,155,077
Net loss	$	(1,244,923)	(6,317,096)
Cumulative results of operations, beginning of year	$	18,550,366	24,867,462
Net loss		(1,244,923)	(6,317,096)
Cumulative results of operations, end of year	$	17,305,443	18,550,366

The accompanying notes are an integral part of these statements

Community Development Financial Institutions Fund
Statements of Cash Flows
Years Ended September 30, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Net loss	$	(1,244,923)	(6,317,096)
Adjustments to reconcile net loss to net cash provided by operations:			
Impairment losses		777,649	6,015,618
Equity in gain of associates		(74,109)	(315,050)
Amortization expense		351,857	447,807
Accretion of discount		(73,307)	(73,307)
Increase in (reversal of) bad debt expense		(4,225,036)	2,391,106
Change in assets and liabilities:			
Decrease (increase) in advances and prepayments		(23,140)	684,355
Decrease (increase) in interest and other receivable		147,788	(64,620)
Increase (decrease) in accounts payable and accrued payroll		441,809	(42,081)
Increase in awards payable		10,859,118	23,984,509
Increase (decrease) in accrued annual leave		(1,526)	38,602
Net cash provided by operating activities		6,936,180	26,749,843
Cash flows from investing activities:			
Proceeds from disposition of investments		477,005	1,238,696
Acquisition of internal-use software		-	(61,755)
Disposition of internal-use software		61,069	-
Collection of loan principal		3,249,022	4,713,165
Net cash provided by investing activities		3,787,096	5,890,106
Cash flows from financing activities:			
Increase (decrease) in unexpended appropriations, net		(17,631,534)	87,022,094
Borrowings from Treasury		1,805,699	6,309,129
Loan payments to Treasury		(7,813,743)	(5,207,790)
Net cash (used in) provided by financing activities		(23,639,578)	88,123,433
Net change in Fund Balance with Treasury		(12,916,302)	120,763,382
Fund Balance with Treasury, beginning of year		203,706,636	82,943,254
Fund Balance with Treasury, end of year	$	190,790,334	203,706,636

The accompanying notes are an integral part of these statements

Notes to the Financial Statements

(1) Description of Reporting Entity

The Community Development Financial Institutions Fund (CDFI Fund) was created as a bipartisan initiative in the Riegle Community Development and Regulatory Improvement Act of 1994 (Public Law No. 103-325). The CDFI Fund was placed in the Department of the 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 is intended to help create a national network of financial institutions dedicated to community development that leverages private resources (financial and human) to address community development needs.

The major programs operated by the CDFI Fund are the Community Development Financial Institutions Program (consisting of a Financial Assistance and Technical Assistance Component), the New Markets Tax Credit Program, the Bank Enterprise Awards Program, Native Initiatives and the Capital Magnet Fund.

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

The CDFI Fund implemented the New Markets Tax Credit (NMTC) Program during fiscal year 2002. Under this program, the CDFI Fund provides an allocation of tax credits 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, the allocation of tax credits to CDEs has no effect on the financial statements of the CDFI Fund.

The Bank Enterprise Award (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 only 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.

Through the Native American CDFI Assistance (NACA) Program, a component of the Native Initiatives, the CDFI Fund provides grants to help create CDFIs and to build the capacity of existing Native CDFIs that serve primarily Native American, Alaska Native, and Native Hawaiian communities.

Through the Capital Magnet Fund (CMF), the CDFI Fund provides competitively awarded grants to CDFIs and qualified nonprofit housing organizations. CMF awards can be used to finance affordable housing activities as well as related economic development activities and community service facilities. Awardees will be able to utilize financing tools such as loan loss reserves, loan funds, risk-sharing loans, and loan guarantees to produce eligible activities whose aggregate costs are at least ten times the size of the award amount.

(2) Community Development Institutions Bond Guarantee Program

The CDFI Bond Guarantee Program was enacted through the Small Business Jobs Act of 2010 (Public Law 111-240) on September 27, 2010. The CDFI Fund will serve as the program administrator and the U.S. Department of the Treasury (Treasury Department) will guarantee the full amount of notes or bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds or notes are intended to support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs. The law provides $13.5 million be made available to the CDFI Fund to establish and administer the program. The CDFI Fund is required by statute to promulgate program regulations by September 27, 2011 and to implement the program by September 27, 2012. The program expires in 2014.

(3) Summary of Significant Accounting Policies

(a) Basis of Presentation

The American Institute of Certified Public Accountants (AICPA) has designated the Federal Accounting Standards Advisory Board (FASAB) as the standards-setting body for financial statements of federal governmental entities, with respect to the establishment of accounting principles generally accepted in the United States of America. SFFAS 34, issued by FASAB, provides authoritative guidance allowing federal entities to prepare financial statements in conformance with accounting and reporting principles issued by the Financial Accounting Standards Board (FASB). Accordingly, the CDFI Fund financial statements are presented in accordance with accounting standards published by FASB.

(b) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at 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. Significant items subject to such estimates include allowance for bad debts and the identification and valuation of investment impairments.

(c) Fund Balance with Treasury

The CDFI Fund does not maintain cash in commercial bank accounts. The Treasury Department processes cash receipts and disbursements. Fund Balance with Treasury is composed primarily of appropriated and borrowed funds (financing and program accounts) that are available to pay liabilities and finance authorized award and purchase commitments.

(d) Loans Receivable, net of Allowance for Bad Debts

Loans receivable relate to direct loans made to certain CDFI Program awardees and are recorded at face value. Direct and incremental loan costs are deemed to be de minimis. Any interest is recognized over the life of the loan, when earned. Amounts collected on loans receivable are included in cash flows from investing activities in the statements of cash flows. During fiscal years 2010 and 2011, the CDFI Fund received requests from awardees requesting an extension of their maturity dates. The requests were processed in collaboration with the Office of Management and Budget and the Department of the Treasury Office of Financial Management (OFM). A restructuring of a loan constitutes a troubled debt restructuring for purposes of FASB ASC-310-40 if

the creditor grants a concession to the debtor that it would not otherwise consider. While the loan extensions are being processed, awardees do not make principal payments. The CDFI Fund continues to accrue and collect interest on all loans that are under restructuring.
The allowance for bad debts is the CDFI Fund's best estimate of the amount of credit losses in the CDFI Fund's existing loans. The allowance includes both specific and non-specific loan analysis. The non-specific portion of the allowance considers historical loss experience adjusted for current factors. The historical loss experience is based on actual loss history experienced by the CDFI Fund over the most recent six years. This actual loss experience is supplemented with other economic factors that include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in write-offs; the number of loan restructurings processed in the current year; and the recent performance of previously restructured loans. The specific portion is determined on an individual basis upon review of any loan that has a past due balance or no payment required until maturity, was modified during the year, or was included in the specific allowance in the prior year. A loan is considered impaired pursuant to FASB ASC-310-10-35. Specifically, a loan is impaired if it is probable that the CDFI Fund will not collect all principal and interest contractually due. The impairment is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Loans are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote.

(e) Interest and Other Receivable

Interest is accrued on the outstanding loans receivable principal balances and investments based on stated rates of interest.

(f) Investments

The CDFI Fund provides assistance to certain for-profit CDFI program awardees by purchasing various investments described below. The CDFI Fund is restricted from owning more than 50% of the equity of awardees and from controlling their operations. Held-to-maturity debt securities are those debt securities in which the CDFI Fund has the ability and intent to hold the security until maturity.

- Non-voting Equity Securities: These investments do not meet the criteria for Variable Interest Entity accounting. These investments are carried at original cost subject to other-than-temporary impairments.

- Secondary Capital Interests: These interests are held-to-maturity and carried at amortized cost, net of applicable discounts, subject to other-than-temporary impairments.

- Convertible Subordinated Debt: This instrument exhibits sufficient characteristics of an equity security as the CDFI Fund is entitled to any dividends in the non-voting common stock as if the CDFI Fund had converted the debentures into such stock prior to the declaration of the dividend. This investment does not meet the criteria for embedded derivative accounting. This investment is held-to-maturity and carried at amortized cost, net of applicable discounts, subject to other-than-temporary impairments.

- Limited Partnership Interests: These investments do not meet the criteria for Variable Interest Entity accounting. These interests are carried in accordance with the equity method of accounting by recognizing the pro-rata share of investee profit/loss through the statement of operations. Investments are further subject to assessment of any other-than-temporary impairments as discussed below.

- Certificates of Deposits: These investments are held-to-maturity and recognized at cost as they are fully insured.

Held-to-maturity debt securities are recorded at amortized cost, adjusted for the amortization of premiums or discounts. Premiums and discounts are amortized over the life of any related held-to-maturity security as an adjustment to yield using the straight-line method.

For non-voting equity securities and limited partnerships, a decline in the fair value of any security below cost that is deemed to be other-than-temporary results in an impairment to reduce the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. 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.

(g) Internal-Use Software

Internal-use software represents the completed phases of various software placed in service pertaining to 1) processing applications – this software automates the award application submission process; 2) geocoding – web-based software that geocodes addresses, census tracts and counties, and enables applicants to determine the funding eligibility of census tracts and counties under CDFI's various programs; and 3) the Community Investment Impact System (CIIS) - a web-based data collection system for CDFI's and Community Development Entities.

The software is amortized using the straight-line method over the estimated useful life of seven years. Amortization expense for the years ended September 30, 2011 and 2010 was $351,857 and $447,807, respectively.

(h) Internal-Use Software in Development

Internal-use software encompasses software design, development, and testing of projects adding significant new functionality and long-term benefits. Costs for developing internal-use software are accumulated in internal-use software in development until a project is placed into service, and testing and final acceptance are successfully completed. Once completed the costs are transferred to internal-use software.

(i) Leases

At the beginning of each fiscal year the CDFI Fund obtains the estimated annual amount for all operating leases. The CDFI Fund then establishes an obligation to be recorded within the financial system for the full amount of the estimate. The CDFI Fund approves each monthly Intra-governmental Payment and Collection transaction and submits the approved form to the Bureau of Public Debt (BPD) for processing on a monthly basis. Rent payments are recognized on a straight-line basis over the term of the lease.

(j) Awards Payable

CDFI Program and CMF grant expense is recognized and awards payable are recorded when the fund is made aware, in writing, that the awardee has met the conditions required for payment and the CDFI Fund approves a grant disbursement to be made. BEA Program grant expense is recognized and awards payable are recorded when the CDFI Fund approves the BEA award to be made (i.e. at the time the funds are obligated).

(k) Retirement Plans

CDFI Fund employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The FERS was established by the enactment of Public Law 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 either FERS and Social Security or remain in CSRS. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2011 and 2010 was $681,519 and $658,144, 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. For FERS employees only, the CDFI Fund makes matching contributions ranging from 1% to 4% for employees who contribute to their TSP account (there is no matching contribution for CSRS employees). The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2011 and 2010 was $244,419 and $243,225, respectively.

In addition, CDFI Fund employees participating in CSRS have 7% of their base salary withheld which is contributed into a Retirement Fund. The CDFI Fund contributes the same amount into the Retirement Fund. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2011 and 2010 was $46,181 and $50,767, respectively.

FERS employees and CSRS reinstatement employees are eligible to participate in the Social Security program for retirement. In these instances, the CDFI Fund remits the employer's share of the required contribution.

(l) Annual, Sick, and Other Leave

Annual leave and compensatory leave is 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.

(m) Debt

Debt represents borrowings payable to the Treasury Department that were made to fund direct loans made by the CDFI Program. Principal repayments to the Treasury Department are required to be made based on the collections of loans receivable and are due September 30 of each year of maturity.

(n) Contingencies

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. The CDFI Fund currently has no contingent liabilities.

(o) Revenue and Other Income

The CDFI Fund receives the majority of its funding through appropriations from the U.S. Congress. The CDFI Fund receives two-year appropriations that may be used, within statutory limits, for awards and operating expenses. Appropriations are recognized as revenues at the time the CDFI Fund's grants are recorded as expenses, and when administrative expenses and provision for bad debts covered by budgetary resources are incurred.

Occasionally, the CDFI Fund receives dividends on its equity investments and may use those funds for awards and operating expenses. Dividends are recognized when received.

Additional revenue is obtained from interest received on direct loans and on uninvested funds held by the Treasury Department. Interest is recognized when earned.

(p) Tax Status

The CDFI Fund, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income tax is recorded.

(q) Fair Value Measurements

The CDFI Fund applies the provisions of ASC Topic 820, *Fair Value Measurements*, for fair value measurements of financial assets and financial liabilities and for fair values measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. This standard defines fair value, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are 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.

See Note 7 for more information and disclosures relating to the CDFI Fund's fair value measurements.

(r) Newly Issued Not Yet Effective Accounting Standards

In January 2010 FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, providing amendments to ASC Topic 820, *Fair Value Measurements and Disclosures*. These amendments require new disclosures pertaining to activity in Level 3 fair value measurements. The new disclosures are effective for annual reporting periods beginning after December 15, 2010. The CDFI Fund does not expect that these amendments will have a material impact on its statements of financial position or statements of operations.

In July 2010 FASB issued Accounting Standards Update 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* providing amendments to ASC Topic 310, *Receivables.* The objective of these amendments is for an entity to provide disclosures that facilitate financial statement user's evaluation of the following: 1) the nature of credit risk inherent in the entity's portfolio of financing receivables, 2) how that risk is analyzed and assessed in arriving at the allowance for credit losses, and 3) the changes and reasons for those changes in the allowance for credit losses. The existing disclosures are amended to require disclosures about an entity's financing receivables on a disaggregated basis. The amendments also require additional disclosures about financing receivables. For nonpublic entities the disclosures are effective for annual reporting periods ending on or after December 15, 2011. The CDFI Fund does not expect that these amendments will have a material impact on its statements of financial position or statements of operations.

In April 2011 FASB issued Accounting Standards Update 2011-02, *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring,* providing amendments to ASC Topic 310, *Receivables.* The objective of these amendments is to clarify the guidance on a creditor's evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. For nonpublic entities the disclosures are effective for annual reporting periods ending on or after December 15, 2012. The CDFI Fund does not expect that these amendments will have a material impact on its statements of financial position or statements of operations.

(4) Fund Balance with Treasury

Fund Balance with Treasury as of September 30, 2011 and 2010 consisted of the following components:

		2011	2010
Available	$	53,503,763	109,533,868
Obligated		135,472,769	92,393,461
Expired		1,813,802	1,779,307
	$	190,790,334	203,706,636

Fund Balance with Treasury includes appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments.

(5) Loans Receivable

Loans receivable are primarily from the funds provided to awardees. Receivables consisted of the following as of September 30, 2011 and 2010:

	2011	2010
Balance as of beginning of year	$ 55,549,581	$ 60,658,004
Add: Loans disbursed	-	-
Less: Loan repayments	(3,249,022)	(4,713,165)
Less: Write off of loans	-	(395,258)
Allowance for bad debts	(7,052,981)	(11,278,017)
Loans receivable, net, as of end of year	$ 45,247,578	$ 44,271,564

The changes in the allowance for bad debts consisted of the following:

	2011	2010
Balance as of beginning of year	$ (11,278,017)	$ (9,282,169)
Decrease (increase) in allowance	4,225,036	(2,391,106)
Accounts credited against the allowance, net of redemptions	-	395,258
Balance as of end of year	$ (7,052,981)	$ (11,278,017)

Current loans receivable as of September 30, 2011 was $6,445,916 (net of allowance of $1,566,271). Long-term loans receivable as of September 30, 2011 was $38,801,662 (net of allowance of $5,486,710).

Current loans receivable as of September 30, 2010 was $4,629,791 (net of allowance of $1,179,231). Long-term loans receivable as of September 30, 2010 was $39,641,773 (net of allowance of $10,098,786).

As of September 30, 2011 the CDFI Fund had a total recorded investment in impaired loans from troubled debt restructurings of $3,705,000 of which $3,375,000 had a related allowance for bad debt of $1,965,000. The amount of the recorded investment for which there is no related allowance for bad debt is $330,000. The CDFI Fund had a total recorded investment in other impaired loans of $1,236,870 and a $1,236,870 related allowance for bad debt. As of September 30, 2010 the CDFI Fund had a total recorded investment in impaired loans from troubled debt restructurings of $9,913,025, of which $5,175,000 had a related allowance for bad debt of $1,967,500. The amount of the recorded investment for which there is no related allowance for bad debt is $4,738,025. The CDFI Fund had a total recorded investment in other impaired loans of $466,870 and a related allowance for bad debt of $186,748.

During the years ended September 30, 2011 and 2010 the CDFI Fund had average recorded investments in impaired loans of $4,745,203 and $5,184,062, respectively. During these years the CDFI Fund recognized related interest income of $83,620 and $194,267, respectively. The CDFI Fund recognizes interest income on impaired loans as earned in accordance with loan agreements.

For the years ended September 30, 2011 and 2010, grants in the amount of $3.0 million and $2.4 million, respectively, were disbursed to debtors owing receivables whose terms have been modified in troubled debt restructurings. As of September 30, 2011 and 2010 there were no commitments to lend additional funds or disburse grants to debtors owing receivables whose terms have been modified in troubled debt restructurings.

(6) Investment Securities

The carrying amount, net of applicable discounts, gross unrealized holding losses and fair value of held-to-maturity debt securities by major security type at September 30, 2011 and 2010 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2011:			
Certificates of deposit	$ 150,000	$ -	$ 150,000
Convertible debt securities	368,206	-	368,206
Secondary capital securities	3,404,190	-	3,404,190
Total	$ 3,922,396	$ -	$ 3,922,396
Investments, Held-to-Maturity at September 30, 2010:			
Certificates of deposit	$ 150,000	$ -	$ 150,000
Convertible debt securities	324,103	-	324,103
Secondary capital securities	3,374,986	-	3,374,986
Total	$ 3,849,089	$ -	$ 3,849,089

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2011:

	Fair Value	Net Carrying Amount
Held-to-Maturity:		
Due within one year	$ 2,000,022	$ 2,000,022
Due after one through five years	665,427	665,427
Due after five through ten years	888,741	888,741
Due after ten years	368,206	368,206
	$ 3,922,396	$ 3,922,396

The CDFI Fund evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Significant factors considered include investee audit opinions, regulatory findings and trends in various financial criteria. Based on this evaluation, the CDFI Fund recognized no other-than-temporary impairment losses of these investments in 2011 or 2010.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2011 and 2010, this category consists of one debenture of $2 million notional amount (amortized cost of $368,206 and $324,103 as of September 30, 2011 and 2010, respectively) which matures January 2048 with the option to convert into 200,000 shares of non-voting class B common stock at a $10 per share conversion price.

Secondary capital securities consist of investments that cannot be redeemed prior to scheduled redemption dates.

Certificates of deposits are investments in federal credit union awardees, and have interest rates of zero percent.

(7) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the CDFI Fund's financial instruments at September 30, 2011 and 2010. The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Fund Balance with Treasury	$ 190,790,334	$ 190,790,000	$ 203,706,636	$ 203,707,000
Loans receivable	45,247,578	30,428,000	44,271,564	32,203,000
Investments, amortized cost	3,922,396	3,922,000	3,849,089	3,849,000
Investments, cost method	14,610,771	21,608,000	15,388,420	19,440,000
Interest and other receivable	296,172	296,000	443,960	444,000
Financial liabilities:				
Awards payable	42,752,841	42,753,000	31,893,723	31,894,000
Debt	35,731,306	23,772,000	41,739,350	28,432,000

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Fund Balance with Treasury, interest and other receivable and awards payable: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

Loans receivable, debt and investments, amortized cost: The fair value is determined as the present value of future contractual cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The discount rates approximate rates currently offered by local lending institutions for loans of similar terms to companies with comparable risk. The fair value of nonperforming loans is determined as the present value of expected future cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. The expected cash flows were estimated based on the awardee's financial condition and the long-term potential of the business in relation to the maturity date of the loan. The fair value of certificates of deposit is discounted cash flow at a market rate.

Investments, cost method: The CDFI Fund records these equity investments under the cost method of accounting. The CDFI Fund considers qualitative assessments of the viability of the investee, fundamental financial analysis and evaluation of the financial statements of the investee and prospects for its future.

(b) Fair Value Hierarchy

The CDFI Fund does not record investments or loans at fair value on a recurring basis. However, from time-to-time, the CDFI Fund records nonrecurring fair value adjustments to reflect partial write-downs that are based on current financial indicators of the awardees. The CDFI Fund uses qualitative assessments of the viability of the awardee, evaluation of the financial statements of the awardee and prospects for its future. Financial statement disclosures and audit opinions were reviewed for the most recent five years for indications of going concern or operational issues. Calculations of pro-rata equity, financial performance ratios, total cash and other trend analysis were performed to determine fair value.

There were no assets measured at fair value on a nonrecurring basis in 2011 that were still on the balance sheet at year end. For assets measured at fair value on a nonrecurring basis in 2010 that were still on the balance sheet at year end, the following table provides the level of valuation assumptions used and the carrying value of the related individual assets or portfolios at year end.

	Fair Value Measurements as of September 30, 2010 Using			
	Level 1	Level 2	Level 3	Total Loss
Investments, cost	$ —	$ —	$ 15,388,420	$ (1,965,000)
Total	$ —	$ —	$ 15,388,420	$ (1,965,000)

None of the CDFI Fund's investments are in publicly traded entities for which a share price can be readily obtained; accordingly, the CDFI Fund used Level 3 inputs to measure fair value of investments.

Investments with a carrying value of $17,353,420 were written down to their fair value of $15,388,420 resulting in an impairment loss of $1,965,000, which was included in earnings for 2010.

(8) Cost Method Investments

Investments accounted for under the cost method consist of non-voting common stock held in for-profit CDFI Program awardees and preferred non-voting stock held in two awardees. The aggregate amount of these investments is $14,610,771 and $15,388,420 at September 30, 2011 and 2010, respectively. All securities were evaluated for impairment. Four investments were written off during fiscal year 2011 totaling $777,649. Two investments were written off during fiscal year 2010 totaling $3,921,400.

(9) Equity Method Investments

Investments accounted for under the equity method consist of a Class B limited partnership interest in Sustainable Jobs Fund, LP (12%), an interest in Pacific Community Ventures (9%), a non-voting redeemable transferable interest in BCLF Ventures II, LLC (18%) and three units of preferred interest in Shorebridge Capital LLC (17%). The investment in Shorebridge was liquidated during fiscal year 2011. Equity method investments totaled $2,615,220 and $3,018,116 at September 30, 2011 and 2010, respectively.

(10) Debt

Debt consists of amounts borrowed from the Treasury Department and included the following activity for the years ended September 30, 2011 and 2010:

		2011		2010
Beginning balance	$	41,739,350	$	40,638,011
New borrowings		1,805,699		6,309,129
Repayments		(7,813,743)		(5,207,790)
Ending balance	$	35,731,306	$	41,739,350

The payments to the Treasury Department are due on September 30 of each year of maturity. Principal payments on this debt as of September 30, 2011 are as follows:

Fiscal Year		Principal Payments
2012	$	381,566
2013		407,114
2014		171,094
2015		
2016		
Later years, through 2037		34,771,532
	$	35,731,306

During fiscal year 2011, the CDFI Fund borrowed $1,131,320 due to downward subsidy reestimate and $674,379 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.85% to 6.48%, depending on maturity dates or risk categories.

During fiscal year 2010, the CDFI Fund borrowed $5,879,499 due to downward subsidy reestimate and $429,630 to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.85% to 6.36%, depending on maturity dates or risk categories.

Interest paid in cash for the years ended September 30, 2011 and 2010 was $1,865,870 and $2,135,561, respectively.

The CDFI Fund has permanent indefinite borrowing authority to fund downward subsidy reestimates and annual interest payments to the Treasury Department. These costs do not reduce the CDFI Fund's net position.

(11) Commitments

(a) Operating Leases

The CDFI Fund leases office space from the General Services Administration in the Homer Building located in Washington, D.C. under the terms of an operating lease (renewed in FY 2007) which expires in January 2012. The CDFI Fund also leases equipment under the terms of an operating lease. The total operating lease expense was $1,549,704 and $1,492,285 for the years ended September 30, 2011 and 2010, respectively.

Future minimum payments due under these operating leases as of September 30, 2011 were as follows:

Fiscal Year		Minimum lease payments
2012	$	382,051
2013		20,276
2014		-
2015		-
2016		-
	$	402,327

(b) Award and Purchase Commitments

As of September 30, 2011 and 2010, award commitments amounted to $117,154,017 and $57,091,588, respectively. Award commitments relate to CDFI Program, NACA Program and CMF awards which were approved by CDFI Fund management but not disbursed as of the end of the year. Award commitments are not considered liabilities at year-end if the awardees have not met the conditions required for payment. Award commitments pertaining to the BEA Program of $0 and $24,727,288 as of September 30, 2011 and 2010, respectively, represent reimbursable expenditures and are excluded from these amounts since they are reflected as liabilities on the CDFI Fund's balance sheet. Award commitments pertaining to CDFI Program of $37,752,841 and $7,166,435 as of September 30, 2011 and 2010, respectively, and CMF award commitments of $5,000,000 and $0 as of September 30, 2011 and 2010, respectively, are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $6,926,752 and $2,980,007 as of September 30, 2011 and 2010, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

(12) Unexpended Appropriations

Unexpended appropriations for the years ended September 30, 2011 and 2010 were as follows:

		2011		2010
Beginning unexpended appropriations	$	178,568,702	$	91,546,608
Appropriations received		227,000,000		260,250,000
Appropriations for Subsidy Reestimate		4,386,127		1,946,321
Appropriations cancelled		(577,630)		(263,955)
Appropriation rescission		(454,000)		—
Appropriations expended		(245,929,283)		(169,030,773)
Downward Subsidy Reestimate Adjustment		(2,056,748)		(5,879,499)
Change in unexpended appropriations		(17,631,534)		87,022,094
Ending unexpended appropriations	$	160,937,168	$	178,568,702

(13) Imputed Financing

Imputed financing represents specific expenses relating to the CDFI Fund paid for by another Federal organization. The components of imputed financing for the years ended September 30, 2011 and 2010 are as follows:

		2011		2010
Pension Cost (CSRS Retirement Plan)	$	105,217	$	114,659
Pension Cost (FERS Retirement Plan)		74,985		104,734
Health Insurance (Health Benefits Program)		349,566		375,031
Life Insurance (Group Life Insurance Program)		1,098		1,095
Audit Fees		364,646		343,591
Total	$	895,512	$	939,110

(14) CDFI Program and CMF grant expense

The CDFI Fund had CDFI Program grant expense of $151,927,165 and $122,881,601 as of September 30, 2011 and 2010, respectively. CMF grant expense was $80,000,000 and $0 as of September 30, 2011 and 2010, respectively.

(15) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2011 and 2010:

		2011		2010
Personnel compensation and benefits	$	8,547,504	$	8,644,359
Travel		123,049		214,433
Rent, communications, utilities and miscellaneous charges		1,804,643		2,327,266
Contractual services		6,987,869		7,552,778
Information technology systems maintenance		149,582		86,771
Amortization		351,857		447,807
Supplies and printing		220,742		134,136
Other		(1,519)		38,602
Total	$	18,183,728	$	19,446,152

(16) Related Party Transactions

The CDFI Fund has Interagency agreements with the Treasury Department. As of September 30, 2011 and 2010 these related party expenses amounted to $2,279,678 and $2,608,275, respectively. As of September 30, 2011 and 2010 related party receivables were $13,951 and $0, respectively.

Expenses were recorded as follows for fiscal years 2011 and 2010: Interagency Agreements with OFM for financial management services, conference and events; postage; human resources services, for the amount of $807,803 and $825,615 for fiscal years 2011 and 2010, respectively. An Interagency Agreement with the Working Capital Fund shared IT services from the Office of the Chief Information Officer, for the amount of $341,947 and $255,408 for fiscal years 2011 and 2010, respectively. An Interagency Agreement with Treasury's Departmental Offices, Office of the Chief Information Officer for IT network administration services for the amount of $582,223 for fiscal year 2010. An Interagency Agreement with the BPD for accounting services, e-Travel and Prism for the amount of $789,591 and $676,276 for fiscal years 2011 and 2010, respectively. An Interagency Agreement with BPD for application intake process and website hosting for the amount of $252,563 for fiscal year 2010. An Interagency Agreement with Alcohol and Tobacco Tax and Trade Bureau for IT services for the amount of $340,337 and $16,190 for fiscal years 2011 and 2010, respectively.

Receivables were recorded as follows as of September 30, 2011: Interagency receivables with OFM for $13,951 for IT shared services.

(17) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 10, 2011, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix A: FY 2011 CDFI Fund Award and Allocation Activities

Appendix A		FY 2011 CDFI Fund Award and Allocation Activities										Allocation of New Markets Tax Credits	
	FA Awards		TA Awards (1)		NI Awards		CMF Awards		Total Awards				
STATE	#	$	#	$	#	$	#	$	#	$		#	$
Alabama	1	$600,000							1	$600,000			
Alaska					1	$725,000			1	$725,000			
Arizona	2	$1,350,000			2	$149,892	1	$1,000,000	5	$2,499,892		3	123,000,000
Arkansas	2	$2,097,975							2	$2,097,975			
California	14	$16,258,250	3	$265,564	1	$ 557,854	6	$23,000,000	24	$40,081,668		10	327,000,000
Colorado	2	$2,100,000							2	$2,100,000			
Connecticut			2	$94,876					2	$94,876			
Delaware	1	$1,500,000							1	$1,500,000			
District of Columbia	2	$3,000,000	1	$97,890					3	$3,097,890		5	179,000,000
Florida	1	$1,500,000	1	$65,000					2	$1,565,000		2	84,000,000
Georgia	2	$1,100,000	1	$13,456			1	$4,000,000	4	$5,113,456			
Hawaii	2	$1,492,690			7	$1,529,048			9	$3,021,738			
Idaho							2	$2,479,522	2	$2,479,522			
Illinois	4	$7,500,000							4	$7,500,000		3	88,000,000
Indiana			1	$89,271					1	$89,271		1	32,000,000
Iowa									-	$0		3	122,000,000
Kansas									-	$0			-
Kentucky	4	$5,100,000	1	$97,995					5	$5,197,995		2	32,000,000
Louisiana	4	$6,500,000	2	$121,567					6	$6,621,567		8	310,000,000
Maine	2	$4,500,000	1	$96,204	1	$725,000			4	$5,321,204		1	77,000,000
Maryland	3	$4,500,000							3	$4,500,000		5	167,000,000
Massachusetts	8	$7,800,000	1	$99,928			2	$9,000,000	11	$16,899,928		4	169,000,000
Michigan	3	$4,500,000			2	$864,620	2	$6,000,000	7	$11,364,620		2	71,000,000
Minnesota	7	$6,950,000	2	$200,000	4	$1,732,930	1	$5,000,000	14	$13,882,930		4	190,000,000
Mississippi	1	$1,500,000					1	$4,000,000	2	$5,500,000		2	81,000,000
Missouri	1	$1,500,000	3	$263,494					4	$1,763,494		6	144,000,000
Montana	2	$3,000,000	1	$79,995					3	$3,079,995		1	56,000,000

The CDFI Fund's FY 2011 BEA Program Awards will be announced during the first quarter of FY 2012

Appendix A Continued

Appendix A	FY 2011 CDFI Fund Award and Allocation Activities											
	FA Awards		TA Awards (1)		NI Awards		CMF Awards		Total Awards		Allocation of New Markets Tax Credits	
STATE	#	$	#	$	#	$	#	$	#	$	#	$
Nebraska			1	$77,808	1	$129,483			2	$207,291		
Nevada									-	$0		
New Hampshire	2	$3,000,000					1	$3,700,000	3	$6,700,000		
New Jersey	2	$2,100,000	1	$99,840					3	$2,199,840	2	63,000,000
New Mexico			1	$99,990	2	$398,696			3	$498,686	1	46,000,000
New York	16	$19,050,000	1	$99,990			2	$7,000,000	19	$26,149,990	10	344,000,000
North Carolina	7	$8,400,000			1	$725,000			8	$9,125,000	1	56,000,000
North Dakota	1	$731,191							1	$731,191		
Ohio	2	$2,500,000	1	$47,002			1	$5,000,000	4	$7,547,002	6	145,000,000
Oklahoma			1	$99,999	3	$1,599,775			4	$1,699,774	1	39,000,000
Oregon	3	$2,290,000			2	$277,705			5	$2,567,705	2	119,000,000
Pennsylvania	9	$14,499,990	2	$195,262			1	$5,000,000	12	$19,695,252	3	116,000,000
Puerto Rico									-	$0		
Rhode Island							1	$1,000,000	1	$1,000,000		
South Carolina	1	$1,500,000							1	$1,500,000		
South Dakota	5	$5,100,000			4	$1,171,021			9	$6,271,021	1	18,000,000
Tennessee									-	$0		
Texas	3	$4,500,000	4	$355,764	1	$100,982			8	$4,956,746	2	85,000,000
Utah	1	$600,000							1	$600,000		
U.S. Virgin Islands									-	$0		
Vermont									-	$0		
Virginia	4	$6,850,000	1	$94,891					5	$6,944,891	3	112,000,000
Washington	1	$1,500,000	1	$100,000	1	$149,973			3	$1,749,973	2	39,000,000
West Virginia			1	$100,000					1	$100,000		
Wisconsin	5	$7,020,900	2	$193,125	2	$285,600	1	$3,820,478	10	$11,320,103	3	66,000,000
Wyoming					1	$725,000			1	$725,000		
Amounts Awarded in FY 2011 Funding Round	130	$163,990,996	37	$3,148,911	36	$11,847,579	23	$80,000,000	226	$258,987,486	99	$3,500,000,000

The CDFI Fund's FY 2011 BEA Program Awards will be announced during the first quarter of FY 2012

Appendix B: Aggregate Awards (Total CDFI Fund Awards From Inception)

Appendix B: Aggregate Awards								
State	FA Awards	TA	Native Initiative Awards (1)	BEA Awards	CMF Awards	FEC Awards	Total Awards From Inception	NMTC Allocations (2)
Alabama	$745,000	$475,500	$0	$820,302	$0	$0	$2,040,802	40,000,000
Alaska	$7,912,500	$403,024	$3,345,383	$0	$0	$0	$11,660,907	90,000,000
Arizona	$8,906,500	$491,867	$7,654,577	$1,509,288	$1,000,000	$0	$19,562,232	423,000,000
Arkansas	$12,337,275	$605,647	$70,000	$5,075,223	$0	$0	$18,088,145	140,000,000
California	$99,634,962	$8,743,769	$1,917,823	$48,376,832	$23,000,000	$400,000	$182,073,386	2,439,000,000
Colorado	$12,981,300	$4,696,163	$770,000	$2,116,915	$0	$400,000	$20,964,378	472,000,000
Connecticut	$4,543,500	$1,049,723	$0	$805,205	$0	$0	$6,398,428	85,000,000
Delaware	$2,423,731	$122,000	$0	$3,451,000	$0	$0	$5,996,731	50,000,000
District of Columbia	$23,803,342	$2,046,732	$0	$7,857,450	$0	$0	$33,707,524	2,034,000,000
Florida	$20,823,800	$1,420,798	$0	$10,191,003	$0	$0	$32,435,601	219,000,000
Georgia	$6,633,900	$2,098,737	$0	$7,990,146	$4,000,000	$400,000	$21,122,783	504,000,000
Hawaii	$2,492,690	$1,001,965	$3,832,216	$1,069,199	$0	$0	$8,396,070	28,000,000
Idaho	$4,984,300	$200,000	$0	$0	$2,479,522	$0	$7,663,822	-
Illinois	$51,526,975	$3,253,117	$0	$54,779,048	$0	$0	$109,559,140	889,300,000
Indiana	$3,058,000	$451,771	$0	$1,648,196	$0	$0	$5,157,967	175,000,000
Iowa	$4,740,000	$765,050	$0	$508,500	$0	$0	$6,013,550	596,700,000
Kansas	$1,903,000	$240,504	$25,000	$2,752,432	$0	$0	$4,920,936	-
Kentucky	$32,756,525	$1,409,455	$0	$7,470,451	$0	$0	$41,636,431	337,500,000
Louisiana	$17,905,603	$967,837	$0	$4,096,775	$0	$0	$22,970,215	1,991,000,000
Maine	$21,058,856	$1,038,155	$4,091,418	$1,481,251	$0	$0	$27,669,680	683,000,000
Maryland	$24,048,360	$1,645,806	$825,947	$2,847,464	$0	$0	$29,367,577	1,615,000,000
Massachusetts	$34,123,200	$6,832,010	$0	$8,256,879	$9,000,000	$0	$58,212,089	1,322,000,000
Michigan	$14,365,000	$627,404	$2,287,127	$1,363,766	$6,000,000	$0	$24,643,297	351,000,000
Minnesota	$37,377,360	$3,745,615	$6,108,729	$9,374,807	$5,000,000	$0	$61,606,511	1,198,000,000
Mississippi	$15,291,250	$388,366	$0	$3,144,437	$4,000,000	$0	$22,824,053	151,000,000
Missouri	$5,310,109	$523,318	$0	$6,148,034	$0	$0	$11,981,461	1,316,000,000
Montana	$9,037,145	$2,112,720	$1,477,917	$315,962	$0	$0	$12,943,744	126,000,000

Appendix B Continued

Appendix B: Aggregate Awards								
State	FA Awards	TA	Native Initiative Awards (1)	BEA Awards	CMF Awards	FEC Awards	Total Awards From Inception	NMTC Allocations (2)
Nebraska	$982,293	$1,739,381	$501,183	$97,832	$0	$0	$3,320,689	23,000,000
Nevada	$0	$581,452	$0	$339,200	$0	$0	$920,652	-
New Hampshire	$16,065,000	$93,425	$0	$1,132,000	$3,700,000	$400,000	$21,390,425	65,000,000
New Jersey	$18,576,064	$1,404,659	$0	$6,562,390	$0	$0	$26,543,113	476,000,000
New Mexico	$11,213,011	$1,878,353	$2,226,107	$185,705	$0	$0	$15,503,176	156,000,000
New York	$126,476,627	$12,857,861	$230,708	$53,676,276	$7,000,000	$0	$200,241,472	3,773,250,000
North Carolina	$43,909,523	$3,054,383	$3,130,020	$28,766,498	$0	$400,000	$79,260,424	886,000,000
North Dakota	$2,116,191	$838,786	$965,886	$15,000	$0	$0	$3,935,863	-
Ohio	$14,969,620	$3,560,060	$0	$3,851,203	$5,000,000	$0	$27,380,883	1,508,000,000
Oklahoma	$4,734,190	$699,549	$7,085,112	$3,001,680	$0	$0	$15,520,531	439,000,000
Oregon	$13,841,250	$672,891	$550,266	$6,569,895	$0	$0	$21,634,302	580,500,000
Pennsylvania	$66,549,961	$5,611,689	$0	$2,433,005	$5,000,000	$0	$79,594,655	773,500,000
Puerto Rico	$1,300,000	$988,041	$0	$0	$0	$0	$2,288,041	55,000,000
Rhode Island	$750,000	$479,185	$0	$0	$1,000,000	$0	$2,229,185	-
South Carolina	$2,750,000	$992,338	$149,281	$2,886,980	$0	$0	$6,778,599	349,000,000
South Dakota	$15,516,403	$677,932	$12,096,473	$722,250	$0	$0	$29,013,058	148,000,000
Tennessee	$12,073,178	$177,600	$95,000	$5,625,766	$0	$0	$17,971,544	65,250,000
Texas	$29,659,267	$5,382,206	$133,738	$15,247,856	$0	$0	$50,423,067	332,000,000
Utah	$2,600,000	$1,489,800	$353,000	$120,000	$0	$0	$4,562,800	100,000,000
U.S. Virgin Islands	$770,000	$0	$0	$0	$0	$0	$770,000	-
Vermont	$17,820,549	$564,140	$0	$0	$0	$0	$18,384,689	32,000,000
Virginia	$15,644,385	$1,617,967	$0	$676,739	$0	$0	$17,939,091	823,000,000
Washington	$14,864,495	$2,522,439	$3,025,739	$3,080,991	$0	$0	$23,493,664	319,000,000
West Virginia	$3,189,000	$1,128,168	$0	$0	$0	$0	$4,317,168	4,000,000
Wisconsin	$26,577,886	$1,272,228	$3,120,736	$7,914,818	$3,820,478	$0	$42,706,146	1,317,000,000
Wyoming	$0	$100,000	$3,499,348	$0	$0	$0	$3,599,348	-
TOTALS	*$943,673,076*	*$97,741,586*	*$69,568,734*	*$336,356,649*	*$80,000,000*	*$2,000,000*	*$1,529,340,045*	*29,500,000,000*

(1) Consists of awards made under all Native American Programs.

(2) Consists of New Markets Tax Credit (NMTC) allocatees headquartered in these states. Amounts shown represents amount of equity supported by tax credits. Amounts include FY2008 NMTC Supplemental and Appropriated rounds. FY2009 NMTC Awards have not been made as of 09/11/09.

Appendix C: Glossary of Acronyms

A
AFR – Agency Financial Report
AMIS – Award Management Information System
ARC – Administrative Resource Center
ARRA – American Reinvestment and Recovery Act of 2009
ATS – Allocation Tracking System

B
BEA – Bank Enterprise Award
BGP – Bond Guarantee Program

C
CCME – Certification, Compliance Monitoring and Evaluation
CDCI – Community Development Capital Initiative
CDE – Community Development Entity
CDFI – Community Development Financial Institution
CDFI Fund – Community Development Financial Institutions Fund
CIIS – Community Investment Impact System
CMF – Capital Magnet Fund
CoE – Centers of Excellence
COTS – Commercial Off-The-Shelf

E
ETA – Electronic Transfer Accounts

F
FA – Financial Assistance
FDIC – Federal Deposit Insurance Corporation
FEC – Financial Education and Counseling Pilot Program
FFAMIA – Federal Financial Assistance Management Improvement Act
FFATA – Federal Funding Accountability and Transparency Act
FFMIA – Federal Financial Management Improvement Act of 1996
FMFIA – Federal Managers' Financial Integrity Act

H
HFFI-FA – Healthy Food Financing Initiative – Financial Assistance Program

G
GMLoB – Grants Management Line of Business

I
IDA – Individual Development Accounts
ILR – Institution Level Report
IPERA – Improper Payments Elimination and Recovery Act
IPIA – Improper Payments Information Act of 2002

N

NACA Program – Native American CDFI Assistance Program
NMTC – New Markets Tax Credit
NOFA – Notice of Funding Availability

O

OCFO –Office of the Chief Financial Officer
OFM – Office of Financial Management
OIG –Office of Inspector General
OMB –U.S. Office of Management and Budget

P

PAR – Performance and Accountability Report

Q

QALICB – Qualified Active Low-Income Community Business
QEI – Qualified Equity Investment
QLICI – Qualified Low-Income Community Investment

S

SECA - Small and Emerging CDFI Assistance

T

TA – Technical Assistance
TLR – Transaction Level Report