Audit Report

OIG-18-014

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Fiscal Years 2017 and 2016 Financial Statements

November 14, 2017

Office of Inspector General
Department of the Treasury

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OFFICE OF
INSPECTOR GENERAL

November 14, 2017

**MEMORANDUM FOR MARY A. DONOVAN, DIRECTOR
COMMUNITY DEVELOPMENT FINANCIAL
INSTITUTIONS FUND**

FROM: James Hodge /s/
Director, Financial Audit

SUBJECT: Audit of the Community Development Financial Institutions Fund's Fiscal Years 2017 and 2016 Financial Statements

I am pleased to transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), an independent certified public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2017 and 2016, and for the years then ended, and provided a report on internal control over financial reporting, and a report on compliance with laws, regulations, contracts, and grant agreements tested. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/President's Council on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the CDFI Fund, KPMG found

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

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

KPMG is responsible for the attached auditors' reports dated November 13, 2017, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Should you have any questions, please contact me at (202) 927-0009, or a member of your staff may contact Catherine Yi, Manager, Financial and Procurement Audit, at (202) 927-5591.

Attachment

Community Development Financial Institutions Fund

United States Department of the Treasury

Agency Financial Report
FY 2017

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Message from the Director

I am pleased to present the fiscal year (FY) 2017 Agency Financial Report for the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund).

In 2017, the CDFI Fund held funding competitions and made the following awards and investments:

- **Community Development Financial Institutions Program (CDFI Program) and the Native American CDFI Assistance Program (NACA Program):** The CDFI Fund awarded $208.7 million to 303 organizations through the CDFI Program and NACA Program; it was the largest awards disbursement in the history of the program. Through the CDFI Program, the CDFI Fund provided $171.1 million in Financial Assistance and Technical Assistance awards to 265 organizations in 46 states and the District of Columbia, including $22 million to 13 organizations through the Healthy Food Financing Initiative. Through the NACA Program, the CDFI Fund awarded $15.6 million to 38 organizations.

- **CDFI Bond Guarantee Program:** The CDFI Fund closed two transactions totaling $245 million on behalf of nine Eligible CDFIs. For the first time, a private foundation provided an additional guarantee in support of an Eligible CDFI's application.

- **Capital Magnet Fund (CMF):** In June 2017, the CDFI Fund announced the availability of $119.5 million in funding through the FY 2017 funding round of the CMF program. The CDFI Fund anticipates announcing the awards in early 2018.

- **New Markets Tax Credit Program (NMTC Program):** In May 2017, the CDFI Fund announced the availability of $3.5 billion for the calendar year (CY) 2017 round of the NMTC Program. A total of $16.2 billion in NMTC allocation authority was requested by the CY 2017 program applicants. The CDFI Fund expects to announce the CY 2017 NMTC allocation awards in early 2018.

- **Bank Enterprise Award Program (BEA Program):** The CDFI Fund awarded $18.8 million to 102 FDIC-insured financial institutions under the FY 2016 round of the BEA Program. In addition, in September 2017, the CDFI Fund announced the availability $23 million in funding through the FY 2017 round of the BEA Program.

In addition to administering the assistance awards programs, the CDFI Fund pursued a number of other key initiatives, including:

- **Awards Management Information System (AMIS):** AMIS is a cloud-based platform that, once completed, will support all CDFI Fund programs through each phase of the program life cycle, including certification, program awards and allocations, data analysis, and reporting. To date, CDFI, NACA and BEA Programs, including post-award compliance, have been integrated into AMIS. Portions of the NMTC and CMF Programs have also been integrated with the remainder of the conversion into AMIS currently ongoing. In addition, some CDFI Certification processes have been built into AMIS.

- **BEA Program Baseline Analysis and Evaluation (BEA Program Evaluation):** Commissioned by the CDFI Fund and completed in June 2017, the BEA Program Evaluation is an independent third-party evaluation of the BEA Program. The report provides a baseline analysis of the program into order to understand incentives for participation. It also provides an evaluation of program outcomes.

- **CDFI Program Assessment and Risk Management (ARM) Framework:** The ARM Framework is a suite of tools that the CDFI Fund will use to assess CDFI Program applicants' and awardees' financial and programmatic risk, to enhance data-driven decision-making, and to mitigate post-award compliance reporting risks. The ARM development process began in 2017, and its data analytic tools will support the needs of multiple CDFI Fund business units.

- **NMTC Program Compliance Review Report:** Released in August 2017, the report examines the degree to which NMTC recipients have complied with NMTC Program requirements and whether the recipients' activities have aligned with the objectives of the NMTC Program. Commissioned by the CDFI Fund, the third-party, independently produced report addresses questions and recommendations posed by the Government Accountability Office regarding the distribution of benefits among the NMTC Program's stakeholders, the rates of return for investors, and the role other public investments play in NMTC investments.

- **Support of Persistent Poverty Counties (PPCs):** The Consolidated Appropriations Act of 2017 (P.L. 115-31) mandates that 10 percent of the FY 2017 appropriated funds awarded by the CDFI Fund support activities in PPCs. In support of this requirement, one-third of CDFI Program and NACA Program awardees indicated they will be providing lending and investment services in PPCs.

- **Minority CDE Training:** The CDFI Fund worked with the National Community Investment Fund to develop training for minority-owned and minority-controlled Community Development Entities (CDEs) to better inform them on how to participate in the NMTC Program. Forty-four CDEs participated in two separate trainings. In addition, 10 CDEs received individualized Technical Assistance to address the specific challenges they face when participating in the NMTC Program.

I would like to express my deepest gratitude to the CDFI Fund staff for the exceptional dedication and hard work that made these results possible. As each of these achievements clearly demonstrates, the CDFI Fund continues to succeed in its mission to increase economic opportunity and to promote community development in distressed communities throughout the nation.

Mary A. Donovan

Annie Don

Director
Community Development Financial Institutions Fund
November 13, 2017

Community Development Financial Institutions Fund Overview

Overview

In 1994, the Community Development Financial Institutions Fund (CDFI Fund) was created to promote economic revitalization and community development through investment in Community Development Financial Institutions (CDFIs). Since 1996, the CDFI Fund has administered the Community Development Financial Institutions Program (CDFI Program) to help build the capacity of CDFIs and the Bank Enterprise Award Program (BEA Program) to increase investment in CDFIs and to expand community development lending, investments, and service-related activities in distressed communities. The CDFI Program includes financial and technical assistance awards, the Native American CDFI Assistance Program (NACA Program) and the Healthy Food Financing Initiative (HFFI).

The CDFI Fund's role in promoting community and economic development 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 further expanded in FY 2008, with the enactment of legislation that created the Capital Magnet Fund (CMF), and again in FY 2010, with the enactment of legislation that created the CDFI Bond Guarantee Program.

Since its creation in 1994, the CDFI Fund has awarded nearly $2.9 billion to CDFIs, community development organizations, and financial institutions through the CDFI Program, the BEA Program, the NACA Program, and the CMF. Further, the CDFI Fund has allocated $50.5 billion in tax credit authority to Community Development Entities (CDEs) through the NMTC Program, and has issued $1.4 billion in guarantees through the CDFI Bond Guarantee 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 Program and BEA Program. The NMTC Program was authorized by the Community Renewal Tax Relief Act of 2000. The CMF was authorized by the Housing and Economic Recovery Act of 2008. The CDFI Bond Guarantee Program was authorized by the Small Business Jobs Act of 2010.

CDFI Fund's Vision and Mission

The vision of the CDFI Fund is an America in which all people and communities have access to the investment capital and financial services they need to prosper. The CDFI Fund's mission is to expand economic opportunity for underserved people and communities by supporting the growth and capacity of a national network of community development lenders, investors, and financial service providers.

CDFI Fund's Programs

The CDFI Fund achieves its purpose by promoting access to capital and economic growth through the following programs:

- **Bank Enterprise Award Program**, which provides monetary awards to federally insured banks and thrifts for increasing investments in distressed communities and/or CDFIs;

- **Capital Magnet Fund,** which provides grants for CDFIs and qualified non-profit housing organizations to finance the development, preservation, rehabilitation, and purchase of affordable housing for low-, very low-, and extremely low-income families, and for related economic development activities;

- **CDFI Bond Guarantee Program**, through which the Secretary of the Treasury provides guarantees for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes;

- **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 two years in order to sustain and expand their services and to build their technical capacity;

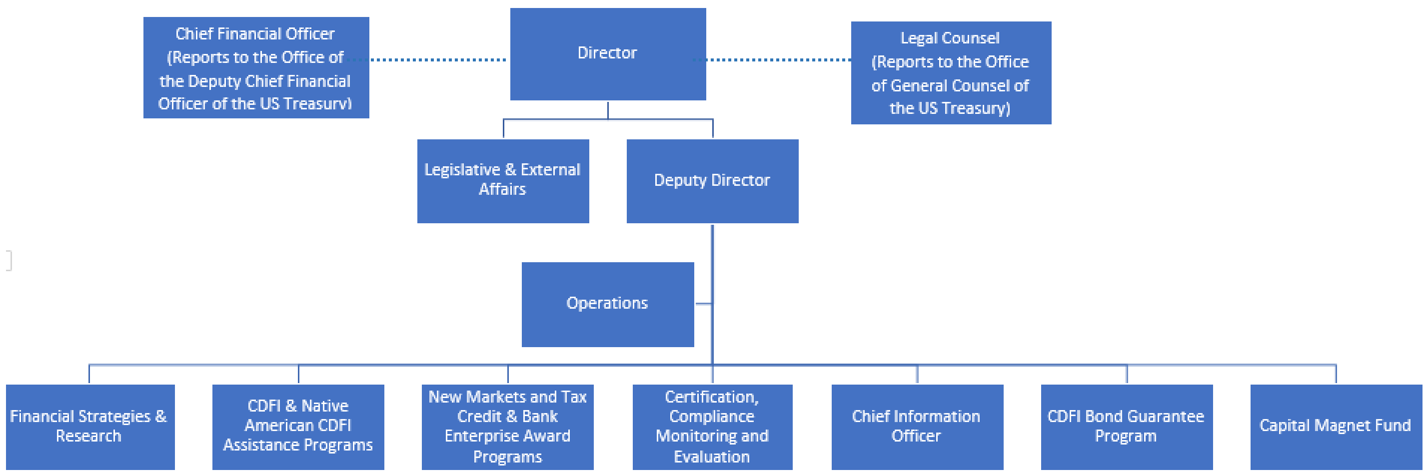
- **Healthy Food Financing Initiative**, which provides Financial Assistance awards to certified CDFIs that invest in businesses that provide healthy food options; businesses supported by CDFIs may include grocery stores, farmers markets, bodegas, food co-ops, and urban farms;

- **Native Initiatives**, which provides Financial Assistance and Technical Assistance awards through the Native American CDFI Assistance Program to CDFIs serving Native American, Alaska Native, and Native Hawaiian communities to sustain and expand their services and to build their technical capacity; and which also provides training opportunities through the Capacity Building Initiative; and

- **New Markets Tax Credit Program**, which provides tax credit allocation authority to certified Community Development Entities, enabling investors to claim tax credits against their federal income taxes, with investment proceeds used for community development purposes.

Organization of the CDFI Fund

The CDFI Fund's organizational structure consists of the following offices and programs: Director; Deputy Director; Legal Counsel; Chief Financial Officer; Legislative and External Affairs; Operations; Capital Magnet Fund; CDFI Bond Guarantee Program; CDFI and Native American CDFI Assistance Programs; Chief Information Officer; Certification, Compliance Monitoring and Evaluation; Financial Strategies and Research; and New Markets Tax Credit and Bank Enterprise Award Programs. The CDFI Fund's organization chart is shown below.



What is a CDFI?

CDFIs are community-based organizations that share a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. CDFIs are dedicated to serving areas and communities that are often unserved by traditional financial institutions and include banks, credit unions, loan funds, and venture capital providers.

The nationwide network of CDFIs plays a vital role in filling these community development finance gaps by helping families finance their first homes, supporting community residents starting businesses, and investing in local health facilities, schools, and community centers. 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.

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;
- Operators of 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, and 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, mortgages, small dollar and other kinds of loans.

Certification of Community Development Financial Institutions

CDFI certification is a designation conferred by the CDFI Fund. In order to be certified, an organization must meet the following seven statutory and regulatory criteria:

1. Be a legal entity;
2. Have a primary mission of promoting community development;
3. Serve principally an investment area or targeted population;
4. Be an insured depository institution, or otherwise have the offering of financial products and services as its predominant business activity;
5. Provide development services (such as technical assistance or counseling) in conjunction with its financing activity;
6. Maintain accountability to its target market; and
7. Be a non-governmental entity and not be controlled by any governmental entities.

CDFI certification is a requirement for accessing Financial Assistance awards through the CDFI Program and the NACA Program, funding through the CDFI Bond Guarantee Program, and certain benefits through the BEA Program. As of the end of FY 2017, the total number of certified CDFIs was 1,095; this figure represents a net increase of 46 CDFIs since the prior fiscal year end. CDFIs are headquartered in all 50 states, the District of Columbia, Guam, and Puerto Rico.

Types of Certified CDFIs

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

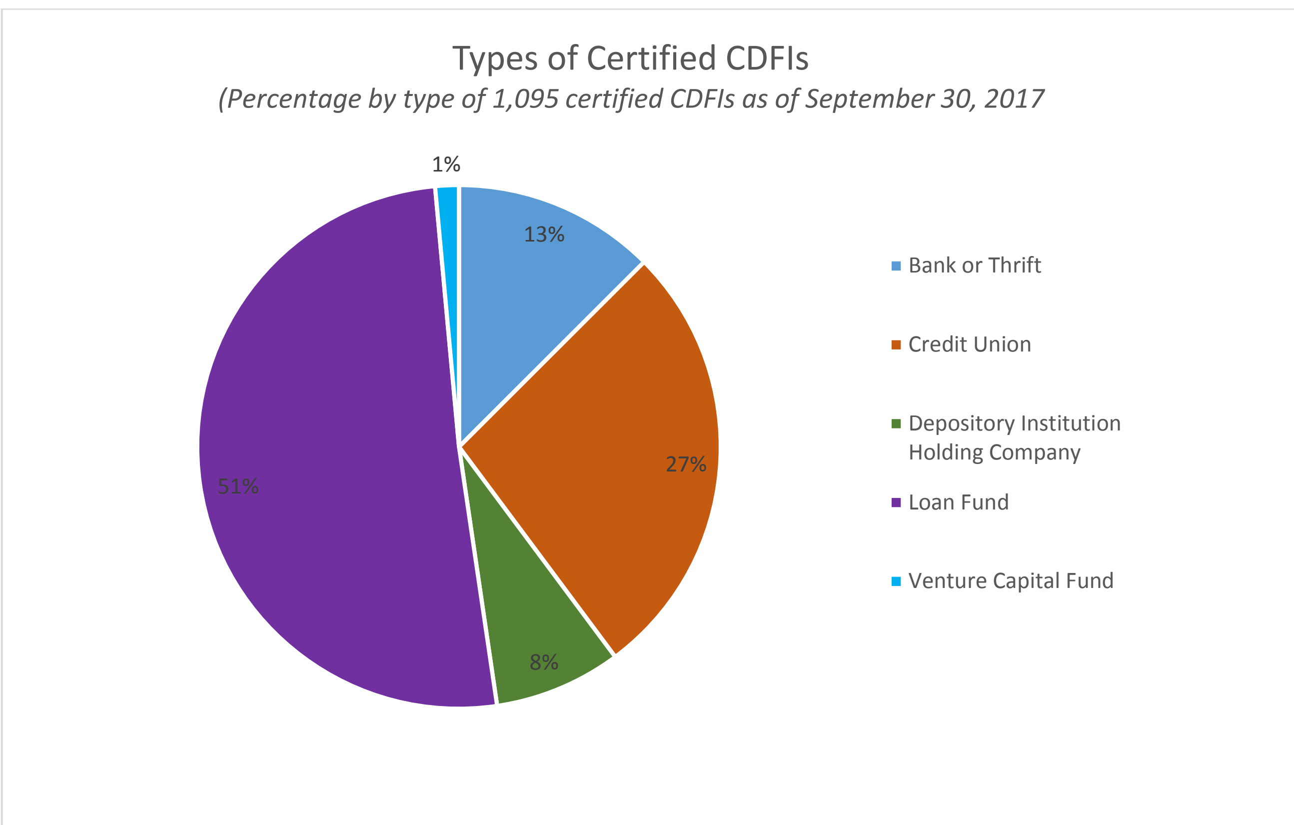
- **Community development banks, thrifts and bank holding companies** are regulated for-profit corporations that provide capital to rebuild economically distressed communities through targeted lending and investment;

- **Community development credit unions** are regulated 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.

The following chart shows the percentage of each type of CDFI.



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Community Development Entities

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 also 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 allocations of tax credit authority through the NMTC Program.

Benefits of CDE certification include being able to 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 to receive loans or investments from other CDEs that have received NMTC authority. As of the end of FY 2017, the total number of certified CDEs (not including subsidiaries) was 2,209. CDEs are headquartered in 49 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

Compliance Monitoring and Evaluation

Enhancing compliance monitoring is an essential part of the CDFI Fund's goals. The agency recognizes the importance of ensuring that each dollar of assistance be utilized in ways that further the public interest. In FY 2017, the CDFI Fund continued its multi-year effort to enhance monitoring using risk-based strategies. It also invested time and attention to examining core compliance monitoring processes for the CDFI Program, NMTC Program, BEA Program, Bond Guarantee Program, and CMF, which will continue in FY 2018.

Though not all of these changes will be visible to the public, the CDFI Fund expects these enhancements to improve the experience of our award recipients, while allowing the compliance staff to focus on deeper compliance analysis.

In FY 2017, the CDFI Fund accomplished the following milestones in order to further enhance compliance monitoring operations:

- Developed and operationalized compliance reporting for the BEA Program in AMIS;
- Made enhancements to existing CDFI Program compliance reporting; these enhancements included the development of two new reports, the Performance Progress Report and the Uses of Award Report, which are required to be submitted by Recipients with FY 2015 and newer CDFI Program and NACA Program Awards;
- Hosted webinars on a quarterly basis and developed user guides to educate the CDFI Fund network of the new reports and reporting requirements;
- Enhanced compliance monitoring operations for the relaunched CMF;
- Released updated compliance guidance to implement restrictions initiated in the CY 2015 round of the NMTC Program and maintained in the CY 2017 round. These restrictions are intended to limit the use of Qualified Low Income Community Investments to be used to repay investors that have made Qualified Equity Investments (QEIs). These updates:

    - Align the language between the FAQ, Allocation Agreement, and the NOAA;
    - Emphasize that the restriction is specific to debt or equity providers of the QEI;
    - Limit reimbursements to the original cost of the asset; and
    - Reverse the exclusion of operating costs from reimbursable costs.

- Initiated in March 2016 the Annual Certification Report (ACR), which establishes common definitions and collects annual data on all certified CDFIs, not just awardees. The data permits the computation of the Minimum and Prudent Standards to measure financial performance and risks for the universe of all certified CDFIs and, for the first time, permits an analysis of the geographic and product line coverage for all certified CDFIs; and

- Began the development and build out of the ARM Framework, which is a suite of tools to mitigate and manage risk, and data analytics to assess CDFI program applicants' and awardees' financial and programmatic risk, to enhance data-driven decision-making, and to mitigate post-award compliance and performance reporting risks.

For FY 2018, the CDFI Fund will continue to make enhancements to its compliance monitoring and evaluation, including automated processing in cases of non-reporting and some compliance rating determinations. Compliance staff will be working on transitioning compliance monitoring from legacy systems to AMIS for the NMTC Program and CMF.

Allocation of CDFI Fund Appropriations

The CDFI Fund's appropriations consist of program and administrative funds. Program funds are used for Financial Assistance awards (such as grants, loans, equity investments, and capacity building / training contracts); administrative funds are used to cover the costs to administer all programs, including the NMTC Program and the CDFI Bond Guarantee Program.

In FY 2017, the CDFI Fund's budgetary allocation of $248.0 million in appropriated funds was as follows:

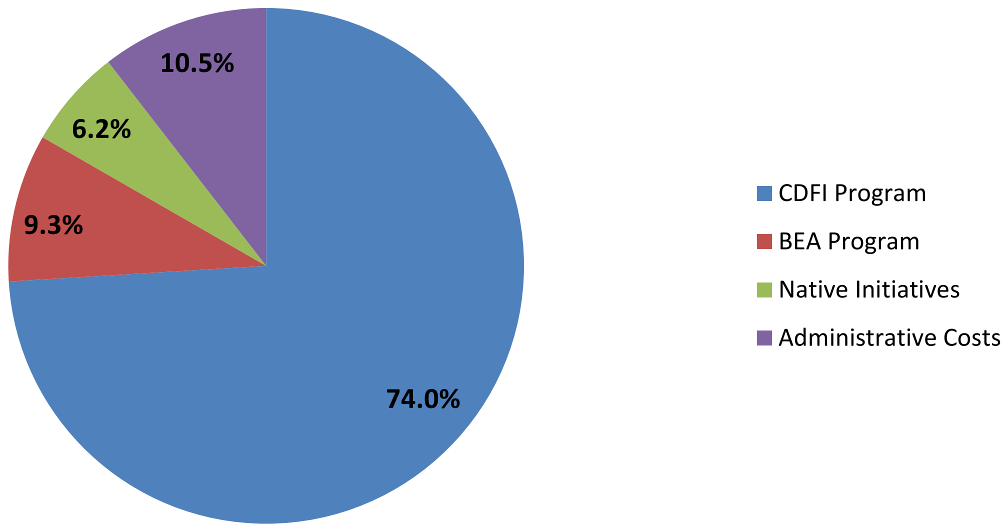
Appropriations Allocated
(Amounts in Millions)

	FY2017	FY2016
Amounts Appropriated:		
CDFI Program	$183.5	$175.4
BEA Program	23.0	19.0
Native Initiatives	15.5	15.5
Administrative Cost	26.0	23.6
Total Amounts Appropriated	$248.0	$233.5
Less Amounts Not Obligated[1]	29.0	28.3
Total Appropriations Used	$219.0	$205.2

[1] In FY 2016, the CDFI Fund carried over $28.3 million, which includes $9.5 million from the CDFI Program (this includes unobligated balances from the HFFI and the Subsidies for the Direct Loans), $18.6 million from the BEA Program, and $0.2 million from the NACA Program

In FY 2017, the CDFI Fund carried over $29.0 million, which includes $6.2 million from the CDFI Program (this includes unobligated balances from the HFFI and the Subsidies for the Direct Loans), $22.8 million from the BEA Program, and $0.08 million from the NACA Program

Percent of Amounts Funded in FY 2017



Sources of Funding

Congress appropriates funding annually to the CDFI Fund; each appropriation can be used over two fiscal years, with the exception of administrative expenses, which expire at the end of each fiscal year. Appropriations include fiscal year budget authority and any unobligated funds from the prior year that may be carried over. In addition, the annual appropriation amount includes borrowing authority to make loans and guarantee authority.

Sources of CDFI Fund Funding
(Amounts in Millions)

	FY 2017	**FY 2016**
Budgetary Appropriations	$248.0	$233.5
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	0.5	2.5
Carryover from Prior Year	28.3	0.3
No-Year Funds	5.4	5.0
Borrowing Authority Used	187.6	218.4
Total Sources of Funds	**$469.8**	**$459.7**

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

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 consists of three components: Financial Assistance (FA) awards, Healthy Food Financing Initiative Financial Assistance (HFFI-FA) awards, and Technical Assistance (TA) awards.

In FY 2017, the CDFI Fund announced CDFI Program awards totaling more than $193.1 million to 303 organizations; that figure included $171.1 million in CDFI Program awards (FA and TA) and $22 million in Healthy Food Financing Initiative (HFFI-FA) awards. The CDFI Program used $9.96 million of the FY 2016 appropriated funds and $177.28 million of the FY 2017 funds for $187.23 million in FY 2017 awards[2]. The HFFI-FA program used $22 million of the FY 2017 funds, awarding slightly more than $22 million in FY 2017 awards.

The Consolidated Appropriations Act for Fiscal Year (FY) 2017 further required that 10 percent of the funds awarded by the CDFI Fund under the appropriation "shall be used for awards that support investments that serve populations living in persistent poverty counties." Persistent Poverty Counties (PPCs) are defined as counties where 20 percent or more of the population has lived in poverty over the past 30 years. For the FY 2017 round, 90 CDFIs received $19.4 million (included in the award amount cited above) in awards specifically for investments in PPCs.

CDFI Program: Financial Assistance Awards

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).

The FA award component receives the greatest number of applications and includes two categories: Category 1 – Small and Emerging CDFI Assistance (SECA) and Category 2 – Core.

CDFI Program applicants must demonstrate they have the financial and managerial capacity to make significant impact in the communities they serve. Applicants must: 1) be able to provide affordable and

[2] The amount of appropriations used is less than the amount awarded because the CDFI Fund borrows the amount of awards made in the form of a loan and only pays the loan subsidy amount (11.53 percent). Therefore, the CDFI Fund can make more awards than appropriated.

appropriate financial products and services; 2) be a viable financial institution; 3) be able to use CDFI Program awards effectively; and 4) have the ability to leverage their awards with non-federal funding.

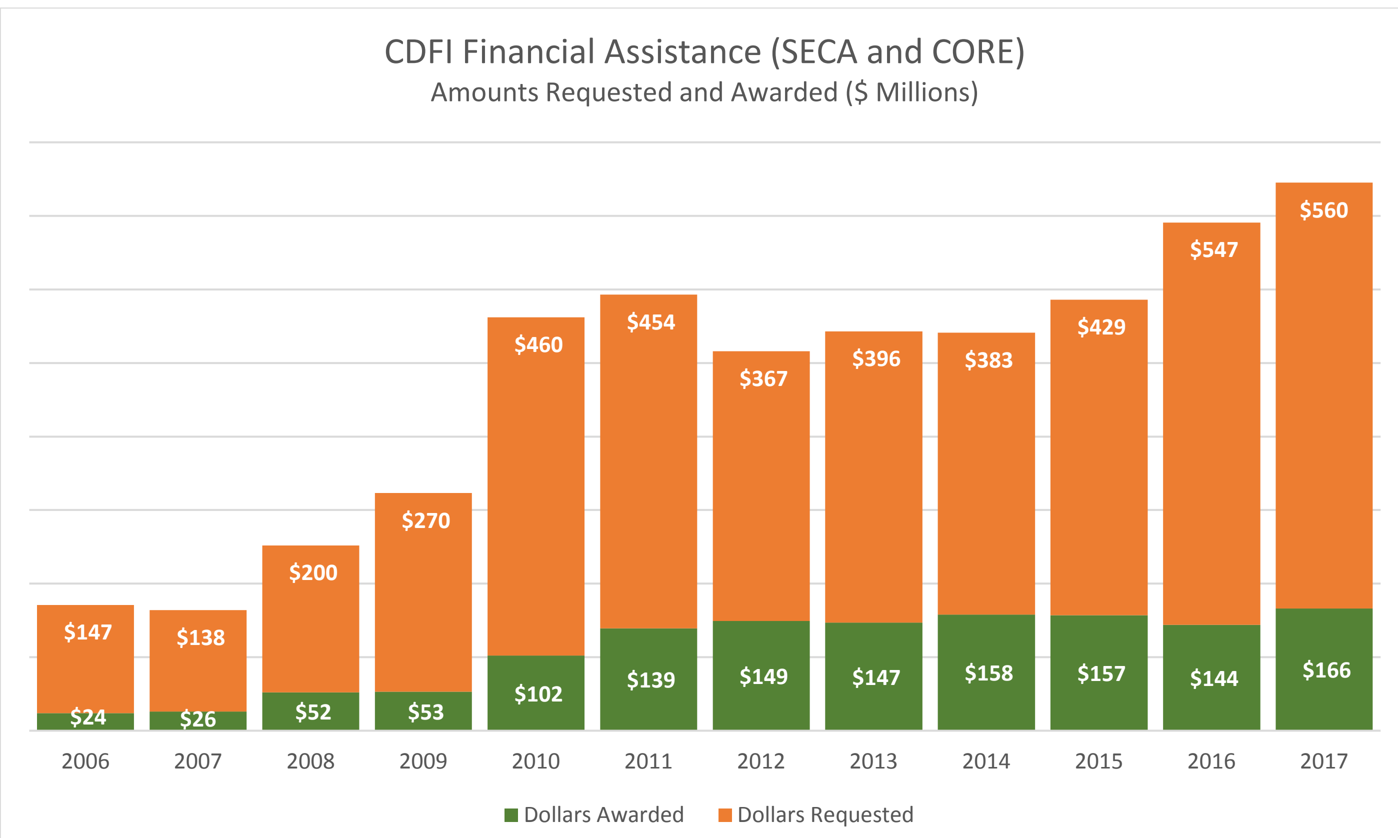
The CDFI Program makes FA awards in the form of equity investments, loans, deposits, and grants. Core CDFI awardees are required to match FA award dollars dollar-for-dollar with non-federal funds; the type of match provided determines the form of the FA award. This requirement enables CDFIs to leverage private capital to meet the demand for affordable financial products and services in economically distressed communities. In FY 2017, SECA and HFFI-FA awards were not required to provide matching funds and the awards were made in the form of a grant.

FY 2017 Core and SECA Financial Assistance Awards

In FY 2017, the FA component received applications from 375 organizations requesting $560 million in FA awards, including 80 SECA applicants requesting $52.5 million and 295 Core applicants requesting $507.7 million.

The CDFI Fund awarded $166.3 million in FA awards to 224 organizations in FY 2017; this figure included 47 SECA awards totaling $22.5 million and 177 Core awards totaling $143.8 million.

The following graph shows the total amount of FA funds requested and awarded each year since FY 2006. The CDFI Program consistently receives more applications than it can fund. In FY 2017, for every $1.00 in FA award funding requested, only $0.28 of funding was awarded.



CDFI Program: Healthy Food Financing Initiative-Financial Assistance Awards

In FY 2011, the CDFI Fund launched the Healthy Food Financing Initiative (HFFI) and provided Financial Assistance awards through the CDFI Program to support the initiative. The HFFI promotes a wide range of interventions that expand the supply of and demand for nutritious foods in low-income areas, including increasing the distribution of agricultural products, developing and equipping grocery stores, and strengthening producer-to-consumer relationships. HFFI-FA awards 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.

FY 2017 HFFI Financial Assistance Awards

In FY 2017, the CDFI Fund announced $22 million in HFFI-FA awards through the CDFI Program to 13 organizations to finance healthy food activities. A total of 34 HFFI-FA applicants requested $112.3 million.

In FY 2017, 30 prior HFFI-FA awardees reported making 376 healthy food investments totaling $168.8 million. These investments included 179 retail investments totaling more than $139 million that developed 2,431,936 square feet of new retail space for projects ranging from small green grocers to large supermarkets which served low-income, low-access census tracts. In addition, there were 197 non-retail investments totaling more than $29 million in projects involving production and distribution, which developed 1,277,246 square feet of space for eligible healthy food activities.

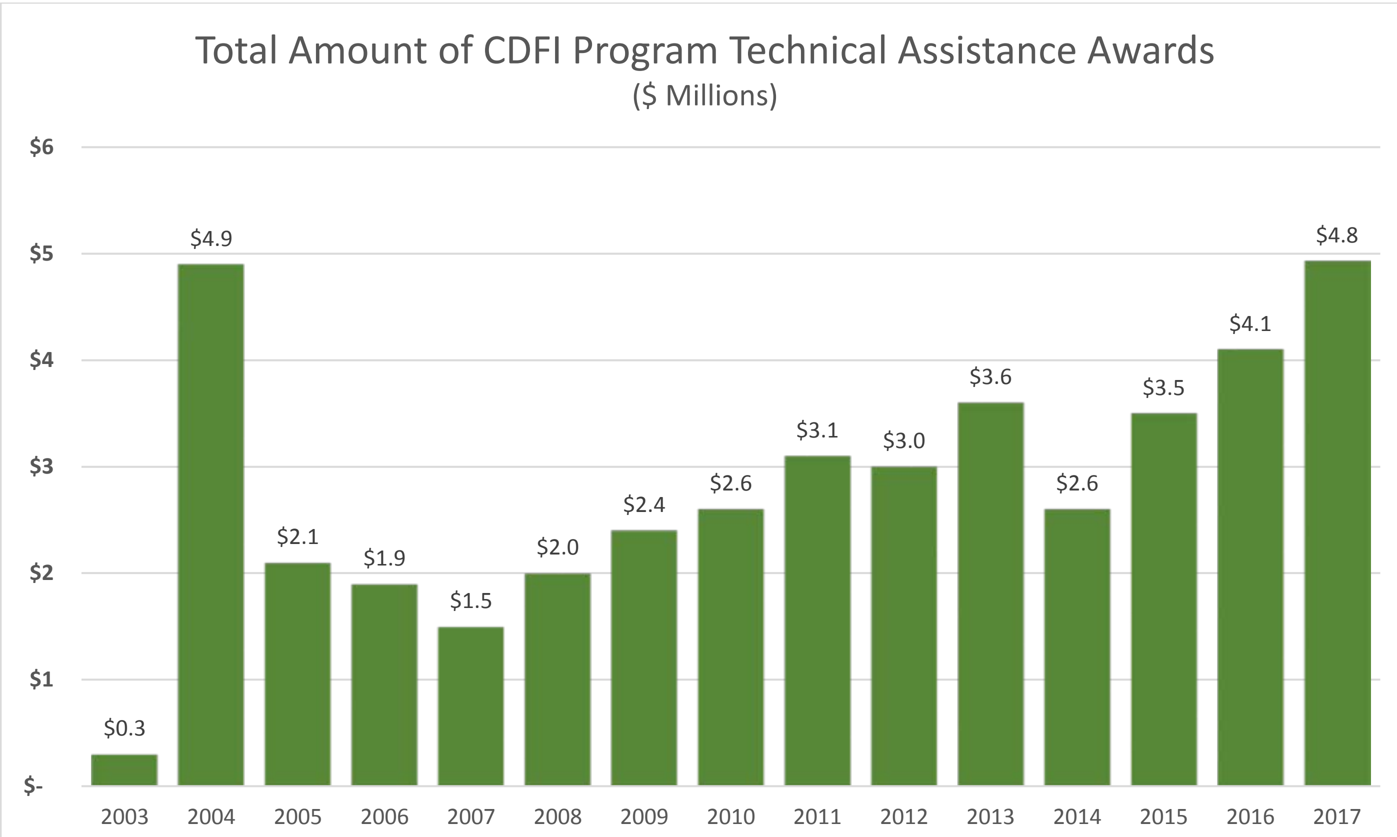
CDFI Program: Technical Assistance Awards

The CDFI Fund provides Technical Assistance (TA) awards in addition to FA Awards. Through the TA component of the CDFI Program, the CDFI Fund provides grants to build the capacity of both startup and existing CDFIs. Awardees can use TA grant funds for items such as staff salaries, fringe benefits, staff training, professional services, supplies, and equipment. Applicants often request funds to analyze their target markets, develop lending policies and procedures, and to build staff lending capacity. There is no matching requirement for applicants seeking TA.

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

FY 2017 Technical Assistance Awards

In FY 2017, the CDFI Fund received 64 applications requesting more than $7.7 million in TA grants; 41 organizations received awards totaling $4.8 million. The following graph shows the amount of TA grants the CDFI has provided each year 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 the end of its fiscal year to report through CIIS. This allows the awardee to complete its annual audit, thus enabling the CDFI Fund to verify reported information against the audit.

The FY 2017 performance information provided below reflects CDFI Program awardees' performance results for the prior fiscal year. Please note that the lag in performance reporting reflects the time it takes awardees to deploy funds and to make investments for which actual and projected results can be estimated. Thus, the FY 2017 performance results reported here reflect program outcomes and activities for FY 2016 and are based on information entered into CIIS by CDFI Program awardees.

In FY 2017, CDFI Program awardees reported originating loans or investments totaling more than $5 billion, based on their portfolio of activities in 2016. This includes, but is not limited to, $1.1 billion for home improvement and purchase loans; $1 billion for 14,736 business and microenterprise loans; and $895 million for residential real estate transactions. The data on the amount and number of loans or investments originated provide baselines for benchmarking and targeting program performance in the forthcoming fiscal year.

In addition, real estate loans financed 27,962 affordable housing units, including 27,276 rental units and 686 owner units. CDFIs also delivered financial products and services to thousands of “unbanked” and underserved individuals, providing 2,986 Individual Development Accounts and financial literacy counseling and other training opportunities to 452,013 individuals.

Annual Performance of CDFI Program Awardees for FY 2017[3] (Based on Program Activities Reported in 2016)

	Amount
Lending and Investing Activity	
Amount of Total Loans/Investments Originated	**$5,029,551,695**
Number of Total Loans/Investments Originated	120,485
Business and Microenterprise Originations	**$1,001,974,765**
Number of Originations	14,736
Consumer Originations	**$842,153,822**
Number of Originations	86,985
Home Improvement and Home Purchase Originations	**$1,179,972,030**
Number of Originations	14,648
Residential Real Estate Originations	**$942,065,450**
Number of Originations	1,930
Commercial Real Estate Originations	**$858,010,673**
Number of Originations	1,186
All Other Originations	**$205,374,955**
Number of Originations	1,000
Affordable Housing Units Financed	**27,962**
Rental Units	27,276
Owner Units	686
Business Financed[4]	**12,495**
Financial Access and Literacy	
Individual Development Accounts Opened	2,986
Dollars Saved in Individual Development Accounts	$3,349,265
Individuals Served by Financial Literacy or Other Training	452,013

[3] Data does not include NACA Program award outcomes which are separately tabulated.

[4] This number reflects netting out businesses that received more than one loan, i.e., the repeat business borrowers of the 14,736 originations.

Native Initiatives

The Native Initiatives were created to increase opportunities for Native American, Alaska Native, and Native Hawaiian communities (Native Communities) to access credit, capital, and financial services by creating or expanding Native Community Development Financial Institutions (Native CDFIs)—CDFIs that primarily serve Native Communities. The Native Initiatives program has two main components: the Native American CDFI Assistance Program (NACA Program), and training opportunities available through the Capacity Building Initiative (CBI).

The Native Initiatives were established after the CDFI Fund published the “Native American Lending Study,” an in-depth evaluation of access to credit, capital, and financial services in Native Communities that was published in 2001. The study affirmed the importance of developing Native CDFIs that would play a key role in the broader effort to lead Native Communities into the nation’s economic mainstream. Congress subsequently specified that the CDFI Fund use certain amounts of its annual appropriations to facilitate the development of Native CDFIs.

A Native CDFI primarily serves the needs of Native Communities. As of September 30, 2017, there were 71 certified Native CDFIs nationwide. These Native CDFIs focus largely on two different financial sectors:

- Affordable housing (housing development and homeownership); and
- Economic development (job creation, business development, and commercial real estate development).

Some Native CDFIs serve as national or regional intermediaries, providing financial products and services to local Native CDFIs and other community development organizations.

NACA Program: Financial Assistance Awards and Technical Assistance Grants

Through the NACA Program, the CDFI Fund provides two types of funding: 1) Financial Assistance (FA) awards, which are available only to certified Native CDFIs; and 2) Technical Assistance (TA) grants, which are available to certified Native CDFIs, Emerging Native CDFIs, and Sponsoring Entities. NACA Program awardees use their awards to increase their capacity to serve their target market and/or to create/become certified Native CDFIs.

Native CDFIs use FA awards primarily for financing capital. FA awards are made in the form of loans, grants, deposits, and equity investments to support the certified Native CDFI’s financing activities, and require the Native CDFI to match the CDFI Fund's award dollar-for-dollar with funds from a non-federal source. In FY 2017, the matching funds requirement was waived and all awards were issued in the form of a grant.

Applicants for FA funds under the NACA Program must demonstrate they have the financial and managerial capacity to make significant impact in the communities they serve. A successful applicant must: 1) be able to provide affordable and appropriate financial products and services; 2) be a viable financial institution; 3) be able to use NACA Program awards effectively; and 4) have the ability to leverage its awards with non-Federal funding.

Recipients of TA grants generally use them to acquire products or services, including computer technology, staff training, and professional services, such as market analysis, and to support other general capacity-building activities. TA grants do not have a matching funds requirement. Unique to the NACA Program, Sponsoring Entities (typically a Tribe or Tribal entity) use TA grants to create and support fledgling Native organizations as they move toward certification.

FY 2017 NACA Program Awards

In FY 2017, the CDFI Fund received 56 applications for the NACA Program requesting $33.1 million for both FA and TA funding. The CDFI Fund awarded 38 organizations a total of $15.6 million for both FA and TA funding in FY 2017; 20 Native CDFIs received FA awards totaling approximately $13.0 million, and 18 organizations received TA grants totaling $2.6 million. The following table shows the various activities for which the TA grants will be used.

FY 2017 Technical Assistance Awards Use of Funds Categories

Category	$ Awarded	% of Total
Personnel (Salary & Fringe Benefits)	$ 1,948,949	74%
Professional Services	$ 382,831	15%
Equipment	$ 30,713	1%
Supplies	$ 105,274	4%
Training	$ 62,829	2%
Travel	$ 118,182	4%
Total	**$ 2,648,768**	**100%**

FY 2017 NACA Program Performance

The performance results reported by NACA Program awardees in FY 2017 show that Native CDFIs originated loans or investments totaling $100.9 million based on their portfolio of activities in 2016, including nearly $68 million in business and microenterprise loans, $7.9 million in consumer loans, and $22.8 million in home improvement and home purchase loans. In addition, NACA Program awardees provided financial literacy training to 16,136 individuals and set up 718 Individual Development Accounts.

CDFI Program and NACA Program Assessment and Risk Assessment (ARM) Framework

In FY 2017, the CDFI Fund's ARM Framework deployed and developed a suite of tools to facilitate internal assessment of CDFIs in the certification and award processes, to monitor the risk of non-compliance for awardees, and to allow the CDFI Fund to better track industry-wide trends. The suite of ARM Framework tools consist of five modules: the Application Assessment Tool, the Certification Assessment Tool, the Compliance Assessment Model, the CDFI Industry Data Analysis and Reporting Tool, and the Direct Loan Risk Assessment Tool.

To date, the CDFI Fund has deployed initial versions of the Application Assessment Tool for CDFI Financial Assistance Applicants, and a Non-Compliance Scorecard tool to assess the risk of non-compliance for active awardees. In addition, the project developed beta versions of the Certification Assessment Tool to review new certification applicants and to monitor the maintenance of CDFI certification status, as well as a beta version of the CDFI Industry Data Analysis and Reporting Tool, which integrates administrative data on certified CDFIs and awardees to assess market coverage and gaps in geography, products, and services for both administrative and public information uses.

Finally, the project developed a set of policies and procedures for the Direct Loan Risk Assessment process and a conceptual design for a Portfolio Monitoring Tool for managing federal credit programs consistent with OMB circular A-129.

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). The CDEs must in turn use substantially all of QEI proceeds to provide investments in low-income communities.

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 tax 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 tax credit is 6 percent annually. Investors may not redeem their investments prior to the conclusion of the seven-year period.

The CDFI Fund is responsible for awarding NMTC allocation authority 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 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 enacted, it has been reauthorized five times; most recently, the Protecting Americans from Tax Hikes Act of 2015 extended authorization of the program for five calendar years (CY 2015 through CY 2019) with $3.5 billion in annual NMTC allocation authority.

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 QEIs. The CDFI Fund's process for ensuring proportional non-metropolitan investment is described in the NMTC Program calendar year (CY) 2017 Notice of Allocation Availability (NOAA).

NMTC Program Allocation Rounds since Inception

NMTC Program allocations are awarded annually through a competitive process. CY 2002 was the first year in which applications for NMTC allocation authority were submitted to the CDFI Fund. To date, the CDFI Fund has completed 13 allocation rounds and has made 1,032 awards totaling $50.5 billion in allocation authority. This amount includes the $3 billion of Recovery Act authorized allocations ($1.5 billion through the CY 2008 NMTC allocation round and $1.5 billion through the CY 2009 NMTC allocation round), as well as $1 billion in allocation authority that was provided through the Hurricane Katrina Gulf Opportunity (GO) Zone Act of 2005.

The following table shows the number of applications submitted and the amount of allocation authority requested in each allocation round of the NMTC Program since 2002.

Applications

Round	**Year**	**Number**	**Amount (Billions)**
1	2002	345	$25.8
2	2003/2004	271	$30.4
3	2005	208	$22.9
4	2006	254	$28.3
5	2007	258	$27.9
6	2008	239	$21.3
7	2009	249	$22.5
8	2010	250	$23.5
9	2011	314	$26.7
10	2012	282	$21.9
11	2013	310	$25.9
12	2014	263	$19.9
13	2015/2016	238	$17.6
14	2017	230	$16.2
Totals		**3,711**	**$330.8**

The following table shows the number of allocations awarded and the amount awarded in each allocation round of the NMTC Program since 2002.

Allocations

Round	Year	Number	Amount (Billions)
1	2002	66	$2.5
2	2003/2004	63	$3.5
3	2005	41	$2.0
4	2006	63	$4.1
5	2007	61	$3.9
6	2008	102	$5.0
7	2009	99	$5.0
8	2010	99	$3.5
9	2011	70	$3.5 [5]
10	2012	85	$3.5
11	2013	87	$3.5
12	2014	76	$3.5
13	2015/2016	120	$7.0[6]
Totals		**1,032**	**$50.5**

[5] The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 provided $3.5 billion in allocation authority for the CY 2011 Round. In addition to the $3.5 billion, the NMTC Program allocated $122.9 million of unused, rescinded or surrendered allocation authority from prior rounds.

[6] The Protecting Americans from Tax Hikes Act of 2015 provided $3.5 billion in allocation for CY 2015 and CY 2016. The CDFI Fund amended the CY 2015 Notice of Allocation Availability to award $7 billion in combined allocation authority for CY 2015 and CY 2016 through a single application round.

As these tables show, demand for NMTC allocation authority has been high since the program's inception, as 3,711 applicants have requested tax credit authority supporting a total of more than $330.8 billion in equity investments—more than six times the amount of allocation authority available for awards by the CDFI Fund. Through the first 13 allocation rounds, only about 30 percent of applicants were selected to receive an award. The average NMTC award through the first 13 rounds was approximately $48.9 million.

CY 2015/2016 NMTC Program Allocation Round

The CDFI Fund published a NOAA for the CY 2015 NMTC allocation round on October 23, 2015. Through this NOAA, the CDFI Fund announced the availability of up to $5.0 billion of NMTC investment authority, subject to Congressional authorization. The passage of the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) on December 18, 2015 extended authorization for the NMTC Program for five calendar years (CY 2015 through CY 2019) with $3.5 billion in annual NMTC allocation authority. Due to the timing of the reauthorization of the program through the PATH Act, the CDFI Fund combined allocation authority for the CY 2015 and CY 2016 rounds ($7.0 billion).

CY 2017 NMTC Program Allocation Round

On May 2, 2017, the CDFI Fund opened the CY 2017 round of the NMTC Program. The CDFI Fund received a total of 230 applications requesting an aggregate total of $16.2 billion in NMTC Allocation Authority from CDEs located in 42 states, the District of Columbia, Puerto Rico, and Guam. The Application Deadline was June 21, 2017. The CDFI Fund anticipates announcing the awards in early CY 2018.

NMTC Program Investment Activities to Date

Allocatees report QEI and Qualified Low-Income Community Investment (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.

As of September 30, 2017, allocatees had reported raising QEIs totaling more than $46.6 billion. This figure represents more than 92 percent of the $50.5 billion in allocation authority issued to CDEs to date.

All results in the table below represent the allocatees' CIIS data reported for fiscal year 2017 (program year 2016). As the table shows, for this program year allocatees reported making nearly $2.5 billion of loans and investments in Qualified Active Low Income Community Businesses (QALICBs). In FY 2017, allocatees reported that these funds will create 4,099 jobs and funded 19,013 construction-related jobs.

The table also shows that, in FY 2017, 42.4 percent of the dollars ($1.05 billion) invested was in "real estate QALICBs" (i.e., businesses that develop or lease real property for use by others). In addition, 57 percent of the dollars ($1.41 billion) were invested in "non-real estate QALICBs" (i.e., operating businesses) in low-income communities and the remaining investments ($13.2 million) were direct investments into other

CDEs. Allocatees also reported providing more than $2.2 million in financial counseling and other services to businesses in low-income communities.

Since 2003, allocatees have reported in CIIS that they have made a total of $57.7 billion in investments through the NMTC Program.

Annual Performance of NMTC Program Allocatees for FY 2017
(Based on Program Activities Reported in 2016)

	Amount
Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICIs)	**$2,480,071,290**
Number of QLICIs	958
Real Estate Activity (Investments in QALICBs[7])	**$1,052,704,028**
Number of QLICIs	351
Non-Real Estate Activity (Investments in QALICBs)	**$1,414,167,263**
Number of QLICIs	599
Loans/Investments Made to Other Community Development Entities (CDEs)	**$13,200,000**
Number of QLICIs	8
Percent of Loans/Investments in Severely Distressed Communities[8]	**77.56%**
Jobs at Reporting Period End	**4,099**
Projected Construction Jobs	**19,013**
Affordable Housing Units Financed	**338**
Rental Units	169
Owner Units	169
Square Feet of Commercial Real Estate	**8,359,690**
Manufacturing	3,170,931
Office	1,057,074
Retail	4,131,685
Businesses Financed	**467**
Financial Counseling and Other Services	
Total Investments	$2,238,545
Number of Businesses Served	6,196

[7] Qualified Active Low-Income Community Businesses

[8] "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.

Cumulative Performance of NMTC Program Allocatees[9]
(Based on Program Activities Reported in 2003-2016

	Amount
Lending and Investing Activity	
Total Qualified Low-Income Community Investments (QLICIs)	**$44,421,718,022**
Number of QLICIs	12,516
Real Estate Activity (Investments in QALICBs)	**$22,011,770,193**
Number of QLICIs	5,500
Non-Real Estate Activity (Investments in QALICBs)	**$21,560,472,670**
Number of QLICIs	6,768
Loans/Investments Made to Other Community Development Entities (CDEs)	**$849,475,159**
Number of QLICIs	248
Percent of Loans/Investments in Severely Distressed Communities	**74.87%**
Jobs at Reporting Period End[10]	**286,495**
Projected Construction Jobs	**462,815**
Affordable Housing Units Financed	**14,310**
Rental Units	6,259
Owner Units	8,051
Square Feet of Commercial Real Estate	**190,211,699**
Manufacturing	84,647,823
Office	62,791,132
Retail	42,772,744
Businesses Financed[11]	**5,942**
Financial Counseling and Other Services	
Total Investments	$36,718,291
Number of Businesses Served	57,702

NMTC Program Compliance Review

The "Compliance Review of New Markets Tax Credit Program" report was commissioned by the CDFI Fund and released on August 1, 2017 by Summit Consulting LLC. This new, independent report examines whether the recipients of New Markets Tax Credits (NMTCs) have complied with NMTC Program requirements, and whether the recipients' NMTC investment activities have aligned with the objectives of the NMTC Program, among other questions. It demonstrates that NMTCs are being used as Congress intended—to attract private investment into projects in economically distressed communities—and documents the ways that CDEs that utilize the program are meeting and generally exceeding NMTC Program requirements.

[9] Numbers of Qualified Low-Income Community Investments (QLICIs) refer to the number of transactions, not the number of New Markets Tax Credit projects

[10] Please note that several outcome measures reflect reductions in cumulative values from prior years, particularly jobs, affordable housing units and square footage, due to reporting changes by allocatees and implementation of more thorough data cleansing rules which eliminated duplicates records from the reported data.

[11] The cumulative estimate of businesses financed nets out those businesses that have reported in multiple years as part of the same project.

In addition, the report addresses questions and recommendations posed by the Government Accountability Office regarding the distribution of benefits among the NMTC Program's stakeholders, investors' rates of return, and the role that other public investments play in NMTC investments.

Bank Enterprise Award Program

The Bank Enterprise Award Program (BEA Program) recognizes the key role that traditional financial institutions play in community development lending, investing, and service-related activities. Through the BEA Program, the CDFI Fund provides monetary awards to regulated banks and thrifts for increasing their investments in CDFIs through grants, stock purchases, loans, deposits, and other forms of financial and technical assistance, and for increasing their lending, investment, and service activities in economically distressed communities where at least 30 percent of residents have incomes less than the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate.

Providing monetary awards for reinvestment in distressed communities leverages the CDFI Fund's dollars and puts more capital to work in distressed communities throughout the nation. The BEA Program targets the most highly distressed areas with larger populations. Of the 74,002 total census tracts included in the 2006-2010 American Community Survey data, 2,167 fully qualified census tracts and 17,014 census tracts were considered partially qualified as distressed communities under BEA Program eligibility criteria.

BEA Program: Qualified Activities

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 or technical assistance provided to certified CDFIs, direct investment in the form of loans made by financial institutions in distressed communities (e.g., affordable housing loans, affordable housing development loans, small business loans, small dollar consumer loans, education loans, home improvement loans, and commercial real estate loans), and financial services provided in distressed communities (e.g., access to automated teller machines, financial education workshops, Individual Development Accounts, and savings accounts).

The BEA Program prioritizes three types of activities. The first priority is to increase the financial support provided by FDIC-insured depository intuitions to CDFIs in order to build partnerships with CDFIs who have direct access to residents and businesses which have been unbanked/underbanked and/or historically underserved by traditional financial institutions (referred to as CDFI-Related Activities). The second priority is to encourage FDIC-insured depository institutions to expand their community development lending (referred to as Distressed Community Financing Activities). The third priority is to encourage FDIC-insured depository institutions to expand their investments in severely underserved areas (referred to as Service Activities).

Qualified Activities for each of the three types of activities include:

- **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).

- **Distressed Community Financing Activities:** Direct financing in the form of loans and investments to businesses and/or residents of distressed communities for affordable housing, affordable housing development, commercial real estate development, home improvement, education, small business, and small dollar consumer loans.

- **Service Activities:** Deposits, financial services (such as check-cashing, money orders, certified checks, new bank branches, youth accounts), 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 (such as financial education seminars).

The CDFI Fund makes awards to applicants in the CDFI-Related Activities category before making awards to applicants in the Distressed Community Financing Activities category and Service Activities category. 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 effectively serve highly distressed communities.

All FDIC-insured depository institutions are eligible to apply for a BEA Program award.

FY 2016 BEA Program Awards

The FY 2016 BEA Program Award round opened in FY 2017. The CDFI Fund's schedule for opening the FY 2016 BEA Program application round shifted from opening the application round in the fiscal year in which funds were appropriated to the following fiscal year as a result of: (1) a delay in revising the Interim Rule[12] until Spring 2016, (2) BEA Program staff facilitating a PRA review[13] of substantive changes to the BEA Program Application, and (3) working to implement the CDFI Fund’s Award Management Information System, or AMIS, for the BEA Program during FY 2016.

In August 2017, the CDFI Fund awarded more than $18.8 million in awards to 102 FDIC-insured financial institutions serving economically distressed communities across the nation. Collectively, during the one-year assessment period, these 102 depository institutions increased their loans and investments in distressed communities by $285.5 million; increased their loans, deposits, and technical assistance to CDFIs by $41 million; increased their equity and equity-like loans and grants to CDFIs by $8.8 million; and increased the provision of financial services in highly distressed communities by $3.5 million.

FY 2017 BEA Program Round

On September 29, 2017, the CDFI Fund opened the FY 2017 round of the BEA Program. The Application Deadline is November 30, 2017. The CDFI Fund anticipates announcing awards in early CY 2018.

BEA Program Evaluation

The “Bank Enterprise Award Program Baseline Analysis and Evaluation” report was commissioned in

[12] The proposed changes to the BEA Program application required Interim Rule updates. The application could not be released for public comment prior to the revised Interim Rule’s publication in the Federal Register.
[13] The Application will be available for a 60-day comment period, followed by a 30-day OMB review period.

September 2014 by the CDFI Fund as an independent third-party evaluation of the BEA Program, and the report was released in June 2017. Congress established the BEA Program to incentivize bank investment in the nation's most severely distressed communities. A key finding of the evaluation is that the BEA Program targets census tracts with much lower income levels and higher poverty rates than typically required under the Community Reinvestment Act (CRA). Another finding is that applicants and awardees surveyed during the BEA Program evaluation reported that the BEA Program awards help mitigate the financial risks and costs of operating bank branches in highly distressed communities and is a factor in shaping the financial products and services offered in these communities.

The report's analysis of small business lending data for CRA-reporting banks shows that CDFI banks and CDFIs generally lend at a greater frequency in highly distressed communities than CRA-reporting banks and that BEA awardees typically originate a larger share of their loans in persistent poverty areas than do CRA-reporting banks. Furthermore, the evaluation found that the BEA Program has adapted and evolved over time, with a focus today on making awards to smaller CDFI banks that increase their activities in distressed communities, as well as to larger non-CDFI banks that invest in CDFIs to reach more highly-distressed areas than they otherwise would.

Overall, the evaluation found that the BEA Program drives investment into the neediest of communities, and complements CRA by providing incentives to serve more highly distressed communities.

Capital Magnet Fund

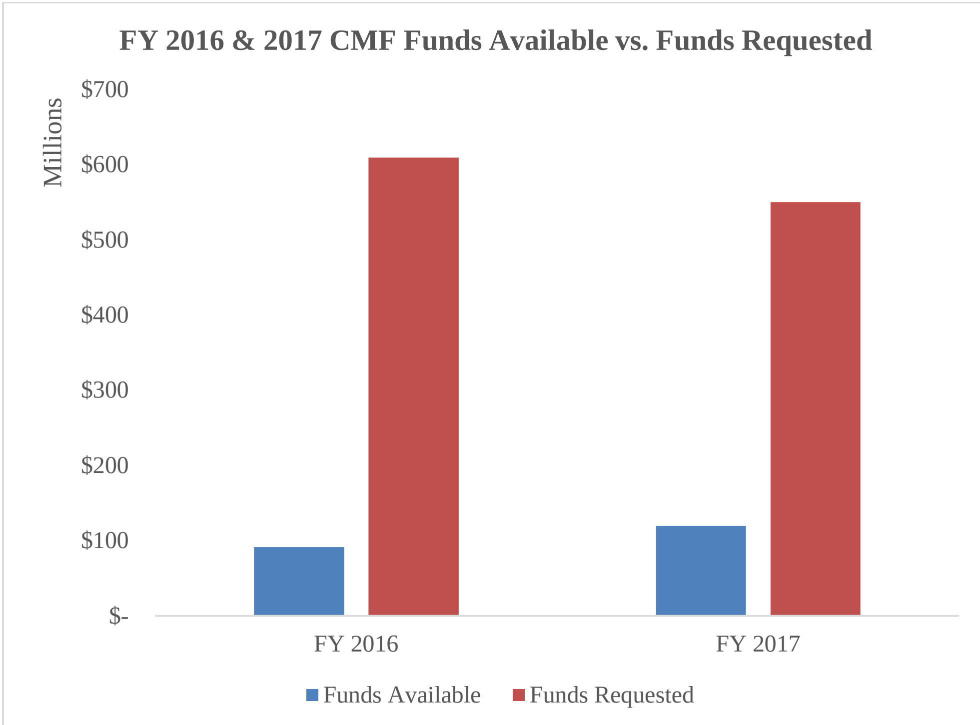
The Capital Magnet Fund (CMF) was authorized by Congress through the Housing and Economic Recovery Act of 2008 (HERA). HERA requires the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, to set aside an amount equal to 4.2 basis points for every dollar of their unpaid principal balances of total new business purchases to support the CMF (administered by the CDFI Fund), the Housing Trust Fund, and the HOPE for Homeowners Program (both administered by the Department of Housing and Urban Development).

The purpose of the CMF is to attract private capital for and to increase investment in affordable housing and economic development activities for low-income people in economically distressed areas. Through the CMF, the CDFI Fund provides competitively awarded grants to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities and community service facilities. Award Recipients are able to utilize CMF funds to create financing tools such as affordable housing or economic development funds to provide equity or debt, loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees. Organizations that receive CMF awards are required to leverage housing and community development investments at least ten times the award amount, generating a multiplier effect that means that more low-income people and communities nationwide will have housing options within their financial reach.

FY 2017 CMF Award Round

The total amount allocated by the GSEs for the FY 2017 Capital Magnet Fund round was $119.5 million. This amount was calculated based on 4.2 basis points for each dollar of Fannie Mae's and Freddie Mac's unpaid principal balances of total new business purchases in calendar year (CY) 2016. The Capital Magnet Fund received 35 percent of the portion remaining after twenty-five percent is paid to the HOPE for Homeowners Program.

The Notice of Funds Availability (NOFA) for the FY 2017 Capital Magnet Fund round was published on June 30, 2017. The CDFI Fund received 122 applications requesting more than $550 million in capital under this NOFA. The number of applicants and amount of capital requested are comparable to the totals for FY 2016 (125 applications requesting more than $609 million in capital). The CDFI Fund is currently reviewing these applications and anticipates announcing FY 2017 CMF Awards in the second quarter of FY 2018.



Capital Magnet Fund Activities to Date

FY 2010 Round

For the FY 2010 CMF funding round, the CDFI Fund announced $80 million in competitively awarded grants to 23 CDFIs and qualified non-profit housing organizations serving 38 states. The awards have been 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, including community services facilities.

Awardee reports available through September 30, 2017, indicate the following updates on CMF-financed affordable housing and community development activities, through the end of the awardees' fiscal year 2016:

- 13,325 affordable homes under development or completed with CMF financing (net addition of 2,430)
  - Affordable rental homes financed: 11,727 (net addition of 2,220)
  - Affordable homeowner-occupied homes financed: 1,598 (net addition of 210)

- Leverage: 1:20 (This ratio does not include leverage from the reinvestment of funds. The target set by Congress was 10 times leveraging.)

FY 2016 Round

On September 22, 2016, the CDFI Fund awarded $91.5 million[14] to 32 organizations for the FY 2016 award round of the CMF. The FY 2016 award recipients have not yet reported on their awards. However, at the time of award the 32 organizations planned to develop approximately 17,000 affordable housing units, including more than 15,000 rental units and nearly 2,000 homeownership units. Combined, 93 percent of all housing units will be affordable for low-income persons (80 percent of the Area Median Income or below); at least 50 percent of the rental units will be developed for very low-income and extremely low-income persons (50 percent of the Area Median Income or below). Additionally, 19 percent of the Award Recipients plan to undertake Economic Development Activities by financing facilities such as healthcare facilities.

As detailed in the FY 2016 NOFA, the CDFI Fund sought to ensure that the Capital Magnet Fund Award Recipients provided were distributed widely throughout the United States, including in non-metropolitan areas. The FY 2016 award recipients project to serve 37 states and the District of Columbia; 28 percent of the award recipients plan to invest the majority of their award in non-metropolitan areas.

Per the authorizing statute, Award Recipients are required to leverage their awards at least ten times the award amount to finance investments in affordable housing and related economic development activities. This requirement means that FY 2016 CMF award recipients will generate more than $910 million in public and private investment. Moreover, the award recipients project that more than $2 billion in private investment will be generated by the CMF, and that 70 percent of all funds leveraged through the CMF will come from private sources.

CDFI Bond Guarantee Program

The CDFI Bond Guarantee Program was enacted by the Small Business Jobs Act of 2010. Through the program, the Secretary of the Treasury provides a 100 percent guarantee of bonds (including principal, interest, and call premiums) issued by Qualified Issuers. Bonds issued through the program support CDFI lending and investment activity in underserved communities by providing a source of long-term capital. Qualified Issuers use bond proceeds to finance loans to Eligible CDFIs for eligible community and economic development purposes.

FY 2017 CDFI Bond Guarantee Program Transactions

In the fourth quarter of FY 2017, the CDFI Fund closed two transactions and the Secretary issued the corresponding two guarantees under the FY 2017 application round of the CDFI Bond Guarantee Program, totaling $245 million and benefitting nine Eligible CDFIs.

CDFI Bond Guarantee Program Performance since Inception

Since the inception of the program, the total amount of bonds closed and corresponding guarantees is $1.4 billion. A total of 26 Eligible CDFIs and three Qualified Issuers participate in the CDFI Bond Guarantee Program. Upon the closing of each bond, the Eligible CDFIs have five years to on-lend or disburse the bond proceeds. To date, the Eligible CDFIs have lent $505 million of the $1.4 billion in bonds closed (a 36 percent

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[14] Amount awarded is net of funds deducted from the amount allocated by the GSEs to administer the Capital Magnet Fund.

disbursement rate) as Secondary Loans in rural, urban, and Native communities in the following asset classes:

- Charter schools: $189.7 million
- Rental housing: $149.6 million
- Commercial real estate: $95.3 million
- Health care facilities: $29.8 million
- Not-for-profit organizations: $19.9 million
- Small businesses: $7.7 million
- Financing entities: $6.9 million (of which $6.3 million represents loans for owner-occupied homes)
- Daycare centers: $6.1 million

The capital distribution plans of the Eligible CDFIs project future lending activities in the aforementioned assets classes, as well as in the senior living and long-term care, owner-occupied homes, and CDFI-to-CDFI lending asset classes.

Status of Financial Management

This section includes a description of the CDFI Fund's financial management system, a summary of the results of the FY 2017 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2017, and a discussion of the CDFI Fund's financial position and results of operations during the past fiscal year.

Description of the CDFI Fund's Financial Management System

The CDFI Fund contracts for accounting services through a franchise agreement with the Bureau of Fiscal Service (BFS) in Parkersburg, West Virginia. While the BFS 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 BFS in the accounting system, as well as records maintained and procedures performed by the CDFI Fund's financial management staff in Treasury's Office of the Deputy Chief Financial Officer (DCFO). The CDFI Fund's resource manager and Treasury's DCFO are responsible for the administrative control of its funds, budget formulation and execution, and review and analysis of financial information.

Results of FY 2017 Financial Statement Audit

The FY 2017 audit of the CDFI Fund's financial statements resulted in an unmodified opinion.

FY 2017 Financial Management Initiatives

In FY 2017, financial management focused on implementing budgetary functions into AMIS to initialize payments to award recipients.

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 2016, 855 CDFIs reported an ILR, of which 460 reported through their TLR 512,171 transactions, and 312 CDEs reported 12,516 transactions.

In September 2017, the CDFI Fund released twelve years of data provided by CDFIs through its CIIS data collection system. The data collected covers FYs 2003 through 2015.

The release contains ILR data on 823 CDFIs that have reported to CIIS. In general, these CDFIs have provided information on their operation, financial status, and impact in their communities. A previous data release in 2016 consisted of ILR data on 777 CDFIs that had reported to CIIS from FY 2003 through 2014.

Additionally, TLR data was also released to the public detailing how CDFIs provide loans or investments in low-income communities. The data file includes the features and location of over 450,000 individual loans and investments totaling more than $34 billion made by 433 CDFIs. A previous data release in 2016 consisted of TLR data on 401 CDFIs that had reported to CIIS from FY 2003 through 2014.

In September 2017, the CDFI Fund released a report and transactional and project level data on the NMTC Program for the 2003-2015 reporting years. The report details how $41.9 billion in tax credits have been cumulatively invested in low-income community businesses throughout the nation. Of the Qualified Low-Income Community Businesses (QALICBs) investments made in projects, the cumulative distribution is as follows:

- 2,820 QALICBs (56.6 percent) were Non-Real Estate QALICBs, or operating businesses. These businesses received $19,958,799,859 in NMTC investments (47.6 percent).
- 2,087 QALICBs (41.9 percent) were Real Estate QALICBs, where the principal activity is the development or leasing of real estate. These QALICBs received $21,113,895,275 in NMTC investments (50.4 percent).
- 73 QALICBs (1.5 percent) were the beneficiaries of loans or investments made by CDEs through other unrelated CDEs without allocations. These investments totaled $831,622,159 (2.0 percent).

To maintain its practice of agency transparency, the CDFI Fund released a breakdown of all NMTC investments reported to the CDFI Fund through FY 2015. The data release is available for use by academics, researchers, and the general public.

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, and five-digit zip code. Additional safeguards are also in place.

Use of Grants.gov for Paperless Processing of Grant Applications

Federal grant-making agencies were required by the Federal Financial Assistance Management Improvement Act (FFAMIA) of 2009 to migrate 100 percent of their electronic grant program applications to the Grants.gov system administered by the Department of Health and Human Services. The CDFI Fund received 770 award applications, and all applications were received through Grants.gov.

Migration to an Award Management Information System for Internal Application Processing

In addition to the use of AMIS for the CDFI, NACA, and CMF program rounds, which was implemented in 2016, the CDFI Fund expanded use of AMIS to include the BEA and portions of the NMTC program rounds. With the deployment of AMIS, 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.

Digital Accountability and Transparency Act

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted in May 2014 to accomplish the following objectives:

- Expand the Federal Funding Accountability and Transparency Act of 2006 and its 2008 amendments by disclosing direct Federal agency expenditures and linking Federal contract, loan, and grant spending information to programs of Federal agencies, enabling taxpayers and policy makers to track Federal spending more effectively.
- Establish Government-wide data standards for financial data and provide consistent, reliable, and searchable Government-wide spending data that is displayed accurately for taxpayers and policy makers on USASpending.gov (or a successor system that displays the data),
- Simplify reporting for entities receiving Federal funds by streamlining reporting requirements and reducing compliance costs while improving transparency.
- Improve the quality of data submitted to USASpending.gov by holding Federal agencies accountable for the completeness and accuracy of the data submitted.
- Apply approaches developed by the Recovery Accountability and Transparency Board to spending across the Federal Government.

To fulfill its purpose, the DATA Act imposes certain requirements on CDFI Fund award recipients including, but not limited to, the following:

- Maintaining active accounts in the System for Award Management (SAM).
- Identifying the CDFI's headquarters and the locations where most of their activities are concentrated.
- Providing information about any first-tier sub-awards.
- Providing information about the compensation of the five most highly paid people within the organizations (subject to certain thresholds).

In order to comply with these requirements, the CDFI Fund includes the standard award terms as stipulated by the DATA Act 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 DATA Act 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 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)

During fiscal year (FY) 2010, President Obama placed renewed emphasis on the reduction of improper payments beginning with Executive Order 13520, Reducing Improper Payments, issued on November 20, 2009. On July 22, 2010, President Obama signed into law the Improper Payments Elimination and Recovery Act of 2010 (IPERA, Pub. L. 111-204). IPERA amended IPIA, generally repealing the Recovery Audits Act (31 U.S.C. §§ 3561-3567, within the Defense Authorization Act of FY 2002), and significantly increasing agency payment recapture efforts by expanding the types of payments that are in scope for review and lowering the threshold of annual outlays that requires agencies to conduct payment recapture audit programs.

In the spring of FY 2011, OMB issued Memorandum M-11-16, Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, dated April 14, 2011, and Part III (which was issued in March 2010 as OMB Memorandum M-10-13) are modified. These amendments are incorporated within this guidance in Section A, Improper Payments Elimination and Recovery, of OMB M-11-16; and the revisions to the repealed Recovery Audits Act are found in Section B, Payment Recapture Audits.

On January 10, 2013, President Obama signed into law the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA). These laws revise portions of the Improper Payment Elimination and Recovery Act of 2010 and were effective starting in FY2014. The CDFI Fund works with the Bureau of Fiscal Service and Departmental Offices to prevent and recapture improper payments.

Effective fiscal year 2014 and beyond, OMB issued Memorandum M-15-02, modifying OMB, Circular A-123, Appendix C, Parts I and II, identifying requirements for effective estimation and remediation of improper payments.

Grants Oversight and New Efficiency (GONE Act)

OMB Circular A-136 added a new requirement to provide grant and cooperative agreement information in accordance with the Grants Oversight and New Efficiency (GONE) Act Reporting of 2016. The goal of the GONE Act is to close out expired grants. The CDFI Fund has reported all data related to this requirement in accordance with the new standard.

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

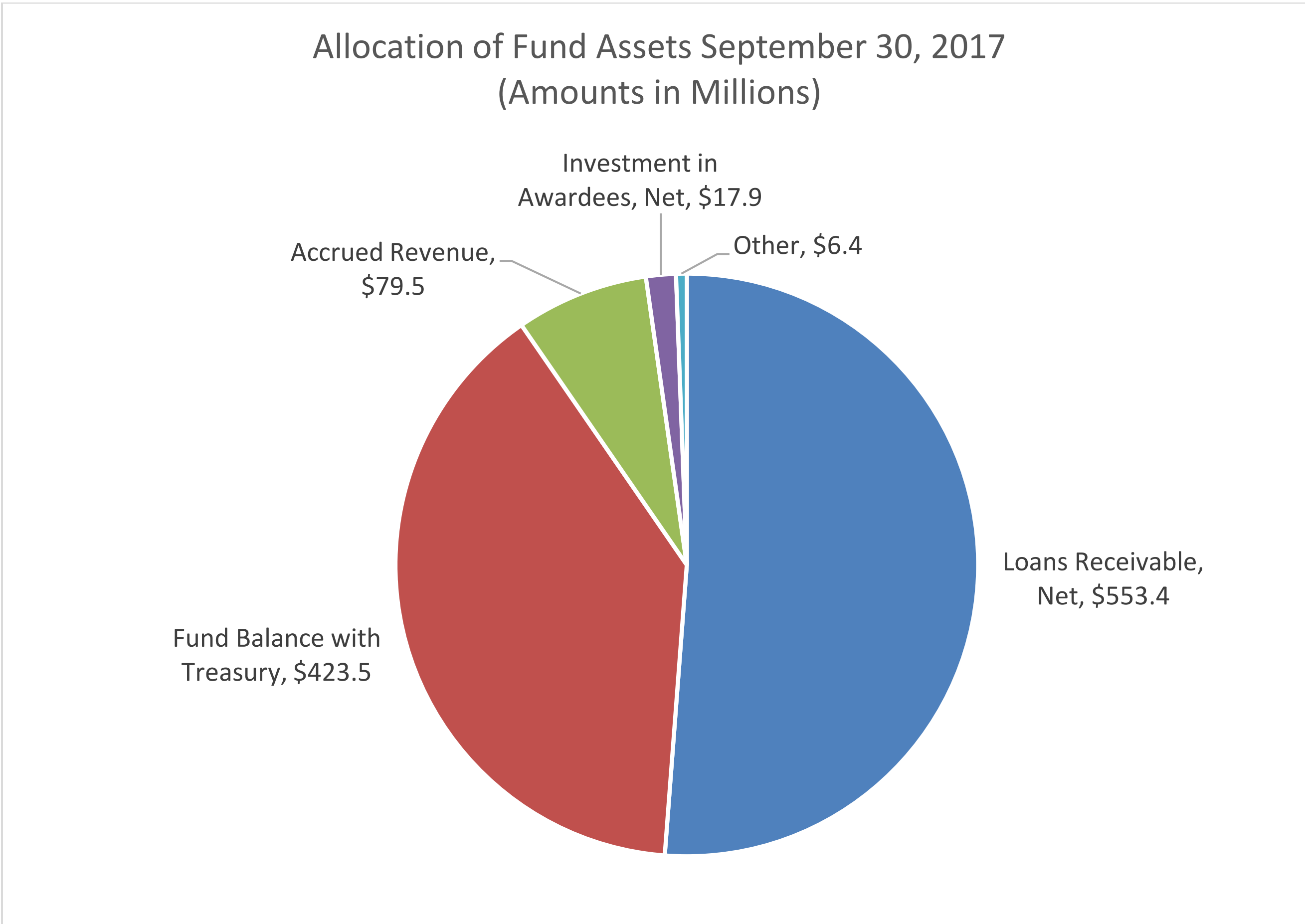
The financial statements report the financial position, results of operations, changes in net position, and cash flows of the CDFI Fund as of and for the fiscal years ending on September 30, 2017 and 2016, pursuant to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from 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 2017	FY 2016	Increase / (Decrease)
Assets	$1,080.7	$867.0	$213.7
Liabilities	$588.8	$400.9	$187.9
Net Position	$491.8	$466.1	$25.7
Revenue and Financing Sources	$357.3	$386.2	($28.9)
Expenses	$336.0	$204.9	$131.1
Net Income	$21.3	$181.3	($160.0)

Allocation of Fund Assets September 30, 2017



Assets

Assets increased by $213.7 million during FY 2017. Loans receivable increased $159.4 million due to new loans issued in FY 2017 under the CDFI Bond Guarantee Program and the CDFI FA Program. In addition there was a $56.6 million increase in the Fund Balance with Treasury due to appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments. A $4.0 million decrease in Accrued Revenue was due to the accrual of the FY 2017 portion of Government Sponsored Enterprise (GSE) fees owed to the CDFI Fund that will be paid in 2018 to fund the Capital Magnet Fund being less than what was accrued in FY 2016.

Fund Balance with Treasury

The Fund Balance with Treasury (FBwT) reflected a $56.6 million increase from the prior year, due to differences in the timing of when appropriation revenue is received versus when expenses are paid. Restricted funds from Special and Trust Funds relate to the Capital Magnet Fund, and are used to carry out competitive award grants to CDFIs and qualified Non-Profit Housing Organizations. Amounts in FBwT for the Capital Magnet Fund totaled $119.4 million and $100.3 million as of September 30, 2017, and 2016, respectively.

Loans Receivable

Loans receivable are increased when loan awards (under the CDFI, NACA and CDFI Bond Guarantee programs) are disbursed and decreased for loan repayments and loan write-offs. During FY 2017, net loans increased by $159.4 million resulting, in part, from new loans of $174.6 million offset by loan repayments of $16.3 million and a loan write-off of $0.8 million.

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

- Non-voting equity securities - $14.1 million
- Convertible subordinated debt - $0.7 million
- Limited partnerships - $0.9 million
- Secondary Capital - $2.2 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. One investment totaling $132,230 and two investments totaling $54,048 at September 30, 2017 and 2016, respectively were determined to be other than temporarily impaired and were written down.

Accrued Revenue
Accrued revenue reflected a $4.0 million decrease from the prior year, due to GSE fees, projected to be collected, being lower in FY 2017 than FY 2016.

Liabilities

The increase in liabilities during the year of $187.9 million consisted primarily of an increase in debt of $170.5 million and an increase in awards payable of $17.2 million.

Debt
During FY 2017, the CDFI Fund borrowed $177.8 million for new loans, $7.6 million due to a downward subsidy re-estimate and $2.2 million to meet annual interest payments due to the Treasury Department, at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories. The CDFI Fund borrowing was partly offset by the repayments of amounts borrowed from Treasury totaling $17.1 million. 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.

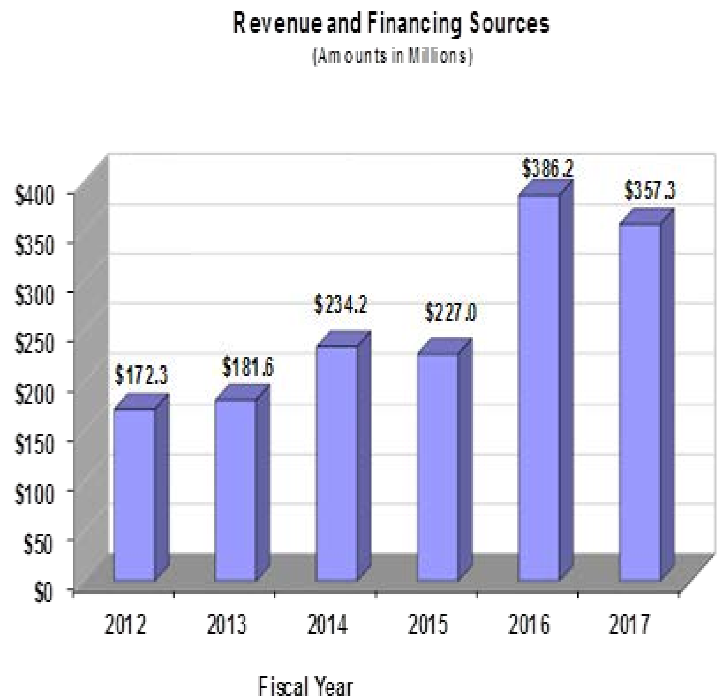
Awards Payable
The increase in awards payable resulted from the Bank Enterprise Award Program making their FY 2016 funding round award announcements in FY 2017 and not in FY 2016.

Net Position

Net position increased during the year by $25.7 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 re-estimates) and appropriations used; 2) any adjustment of the CDFI Fund's subsidy re-estimate; and 3) net income. During FY 2017, appropriations received and appropriations for subsidy re-estimate (net of amounts cancelled, rescinded and downward subsidy re-estimate) were $229.5 million, and appropriations used was $225.1 million resulting in an increase in net position of $4.4 million. This increase in net position was increased by the $21.3 million gain recorded by the CDFI Fund in FY 2017, of which $25.2 million gain is attributable to GSE fees collected, accrued, and expensed. The Cumulative Results of Operations – Capital Magnet Fund is composed entirely of restricted funds. Under federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the Capital Magnet Fund. A $3 million loss is mainly attributed to interest expense increasing as the BGP Program has continued to grow.

Revenue and Financing Sources

One source of revenue and financing for the CDFI Fund is the annual appropriation used to fund expenses ("appropriations" as reflected in the statement of operations). Consistent with generally accepted accounting principles (GAAP), the amount of appropriated funds recognized as revenue is, with certain adjustments, equal to the amount of operating expenses for the year. The one exception needed to be taken into account are the GSE fees collected, accrued, and expensed.



Expenses

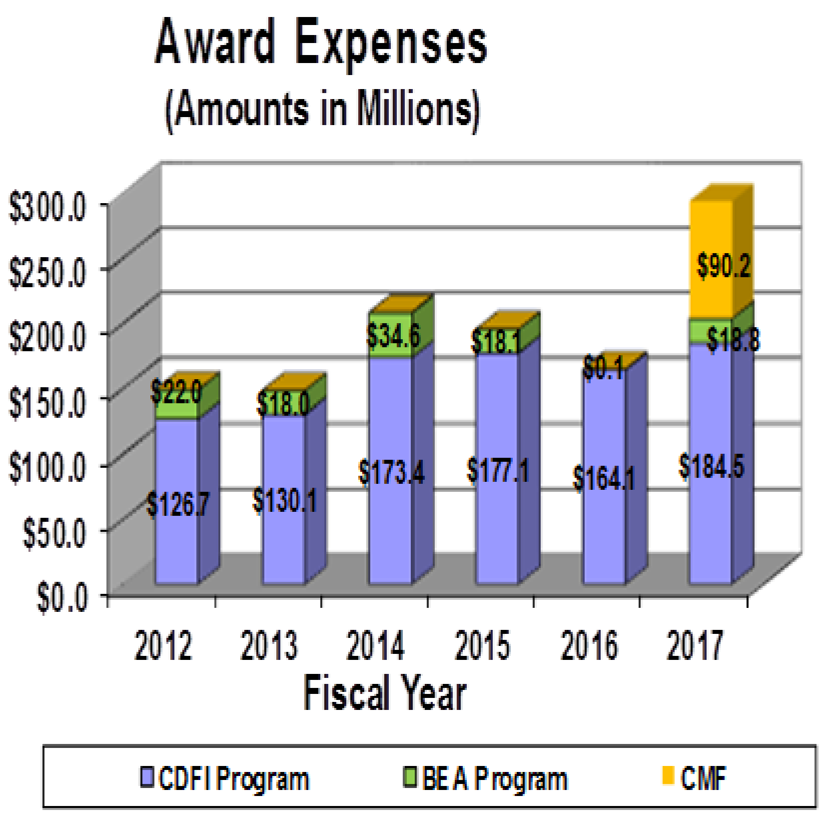
The change in the CDFI Fund's operating expenses, during FY 2017 consisted of the following:

Comparison of Operating Expenses Excluding Administrative Expenses Paid by Others
Fiscal Years 2017 and 2016
(Amounts in Millions)

	FY 2017	FY 2016	Difference
Award Expenses	$293.5	$164.2	$129.3
Administrative Expenses	$25.5	$27.7	($2.2)
Bad Debt Expense	($1.2)	($0.9)	($0.3)
Total Operating Expenses	$317.8	$191.0	($126.8

Award Expenses

Award expenses during the year increased $129.3 million. CDFI Program award expenses increased $20.3 million, BEA award expenses increased $18.8 million due to the timing of the awards; FY 2016 BEA awards were not announced until FY 2017, and CMF award expenses increased $90.2 million. The entire CMF award increase was attributable to expenses in 2017 as there was no CMF award expense in 2016.



Administrative Expenses
Administrative expenses decreased by $2.2 million during FY 2017. This decrease was primarily due to a $3.7 million decrease in contractual services with external parties, offset by a $1.1 million increase for personnel compensation and benefits.

Bad Debt Expense
Bad debt expense is a function of the impairment related to loans receivable at year-end including the impact of certain loan restructurings made during the year. The CDFI Fund performs an analysis process that includes an individual review of all loans using an asset to liability ratio from the awardees' most recent financial statements. Bad debt expense decreased during FY 2017 by $0.3 million due to a decrease in delinquent and impaired loans. As the Secretary of the Treasury issues guarantees for the full amount of bond issues to support BGP loans, CDFI does not bear any BGP loan defaults, accordingly, no allowance is recognized with respect to BGP loans.

Net Income
As stated above, the amount of appropriations used (the largest component of the CDFI Fund's revenue) is, with certain adjustments, equal to the amount of operating expenses for the year. The one exception needed to be taken into account are the GSE fees collected, accrued, and expensed. Accordingly, the excess (shortage) will consist of the amount by which revenue and financing sources, other than appropriations used, exceeds expenses. For FY 2017, other income and expense totaled $17.5 million, consisting of interest expense on Treasury borrowings. Interest and dividend income totaled $15.6 million.

Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General
U.S. Department of the Treasury:

Director
Community Development Financial Institutions Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the U.S. Department of the Treasury's Community Development Financial Institutions Fund as of

September 30, 2017 and 2016, and its results of operations, changes in net position, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The information in the Message from the Director, Community Development Financial Institutions Fund Overview, Program Discussion and Analysis, Status of Financial Management, and Appendix sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017 on our consideration of the CDFI Fund's internal control over financial reporting and our report dated November 13, 2017 on 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 result 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* in considering the CDFI Fund's internal control over financial reporting and compliance.

KPMG LLP

November 13, 2017

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Inspector General
U.S. Department of Treasury:

Director
Community Development Financial Institutions Fund:

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, the financial statements of the Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered the CDFI Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDFI Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDFI Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDFI Fund's internal control. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 13, 2017

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Inspector General
U.S. Department of Treasury:

Director
Community Development Financial Institutions Fund:

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*, the financial statements of the Community Development Financial Institutions Fund (CDFI Fund), which comprise the statements of financial position as of September 30, 2017 and 2016 and the related statements of operations and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDFI Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 17-03.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the CDFI Fund's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CDFI Fund's compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 13, 2017

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2017 and September 30, 2016

		2017		2016
Assets				
Fund Balance with Treasury (Note 4)	$	423,522,192	$	366,897,227
Loans Receivable, Net of Allowance for Bad Debt (Note 5)		553,398,138		394,005,024
Investments, Amortized Cost (Note 6)		2,831,245		2,763,005
Investments, Cost Method (Note 8)		14,142,519		14,326,252
Investments, Equity Method (Note 9)		867,896		749,041
Accrued Revenue (Note 15)		79,500,000		83,500,000
Internal-use Software, Net of Accumulated Amortization		5,516,397		4,243,270
Other Assets		891,020		520,516
Total Assets	$	1,080,669,407	$	867,004,335
Liabilities and Net Position				
Accounts Payable	$	1,372,213	$	1,170,735
Awards Payable		18,837,894		1,610,025
Accrued Payroll		479,705		444,506
Accrued Annual Leave		730,855		733,504
Other Liabilities (Note 10)		12,500		40,000
Debt (Note 11)		567,401,984		396,895,128
Total Liabilities	$	588,835,151	$	400,893,898
Commitments and Contingencies (Note 12)				
Cumulative Results of Operations - All Other Funds	$	6,414,702	$	9,458,032
Cumulative Results of Operations - Capital Magnet Fund (Note 15)		208,165,642		183,792,020
Total Cumulative Results of Operations		214,580,344		193,250,052
Unexpended Appropriations (Note 13)		277,253,912		272,860,385
Total Net Position		491,834,256		466,110,437
Total Liabilities and Net Position	$	1,080,669,407	$	867,004,335

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

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
As of September 30, 2017 and September 30, 2016

		2017		2016
Revenue and Financing Sources:				
Appropriations	$	225,086,862	$	189,477,389
Imputed Other Income (Note 14)		685,791		828,666
Interest, Non-Federal		11,990,371		6,935,155
Interest, Federal		3,528,506		4,657,773
Dividends		110,887		75,280
Government Sponsored Enterprise Fees (Note 15)		115,413,318		183,792,020
Other		414,787		219,837
Equity in Gain of Associates, Net		118,855		191,108
Total Revenue and Financing Sources		357,349,377		386,177,228
Expenses:				
CDFI Grants	$	184,403,577	$	164,128,093
BEA Grants		18,837,844		103,923
CMF Grants		90,222,163		-
Administrative Expenses (Note 16)		25,513,444		27,722,176
Increase in/(Reduction of) Bad Debt Expense		(1,161,558)		(918,276)
Administrative Expenses Paid by Others (Note 14)		685,791		828,666
Total Operating Expenses		318,501,261		191,864,582
Other Income and Expenses				
Interest Expense, Federal		17,385,594		12,975,346
Impairment Losses		132,230		54,048
Total Expenses		336,019,085		204,893,976
Net Income	$	21,330,292	$	181,283,252
Cumulative Results of Operations, Beginning of Year	$	193,250,052	$	11,966,800
Net Income		21,330,292		181,283,252
Cumulative Results of Operations, End of Year	$	214,580,344	$	193,250,052

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

Community Development Financial Institutions Fund
Statements of Cash Flows
As of September 30, 2017 and September 30, 2016

		2017		2016
Cash Flows from Operating Activities:				
Net Income	$	21,330,292	$	181,283,252
Adjustments to Reconcile Net Loss to Net Cash Provided by/(used in) Operations:				
Impairment Losses		132,230		54,048
Equity in Gain of Associates		(118,855)		(191,108)
Amortization Expense		822,188		341,341
Accretion of Discount		(68,239)		(68,239)
Bad Debt Expense (Reduction)		(1,161,558)		(918,276)
Change in Assets and Liabilities:				
Decrease/(Increase) in Accrued Revenue		4,000,000		(83,500,000)
Increase/(Decrease) in Accounts Payable, Accrued Payroll, & Other Liabilities		209,177		(1,343,110)
Increase/(Decrease) in Awards Payable		17,227,869		(17,980,758)
Increase/(Decrease) in Accrued Annual Leave		(2,648)		26,336
Decrease/(Increase) in Other Assets		(370,504)		10,917
Net Cash Provided by Operating Activities		41,999,952		77,714,403
Cash Flows from Investing Activities:				
Proceeds from Disposition of Investments	$	51,502	$	-
Proceeds from Distribution from Investments		-		545,400
Purchases of New Investments		-		(498,917)
Purchases of Internal-use Software		(2,095,316)		(1,586,157)
Loans Disbursed		(174,564,071)		(212,202,140)
Collection of Loan Principal		16,332,515		8,986,382
Net Cash used in Investing Activities		(160,275,370)		(204,755,432)
Cash Flows from Financing Activities:				
Increase in Unexpended Appropriations, Net	$	4,393,527	$	41,010,188
Borrowings from Federal Financing Bank		172,229,542		206,153,189
Repayments to Federal Financing Bank		(8,913,817)		(3,756,822)
Borrowings from Treasury		15,366,543		12,318,556
Repayments to Treasury		(8,175,412)		(9,634,024)
Net Cash Provided by Financing Activities		174,900,383		246,091,087
Net Change in Fund Balance with Treasury		56,624,965		119,050,058
Fund Balance with Treasury, Beginning of Year		366,897,227		247,847,169
Fund Balance with Treasury, End of Year	$	423,522,192	$	366,897,227

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

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2017 and 2016

(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's mission is to increase economic opportunity and promote community development investments for underserved populations and in distressed communities in the United States.

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 Award Program, Native Initiatives, the Capital Magnet Fund and the Community Development Financial Institutions Bond Guarantee Program.

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 and cost investments. Technical Assistance grants provide assistance to start-up and early-stage CDFIs and entities planning to become CDFIs.

Under the New Markets Tax Credit (NMTC) 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 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.

The Capital Magnet Fund (CMF) provides competitively awarded grants to Community Development Financial Institutions (CDFIs) and qualified Non-Profit Housing Organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities (including community service facilities). Award recipients are able to utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees. Organizations that receive CMF awards are required to provide housing and community development investments at least ten times the award amount.

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 administers the program, and the Secretary of the Treasury issues guarantees for the full amount of bonds issued to support CDFIs that make investments for eligible community or economic development purposes. The bonds support CDFI lending and investment by providing a source of long-term, patient capital to CDFIs.

(2) Limitations of the Financial Statements

The financial statements report the financial position, results of operations, changes in net position, and cash flows of the CDFI Fund as of and for the fiscal years ending on September 30, 2017 and 2016, pursuant to the requirements of Title 31 of the United States Code 91, *Government Corporations*. 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.

(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), the private-sector standards-setting body. Accordingly, the CDFI Fund financial statements are presented in accordance with accounting standards published by FASB, and uses the full accrual basis of accounting under which revenues are recognized when earned and expenses recognized as incurred, regardless of when cash is exchanged.

(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, the identification and valuation of investment impairments, and the accrual of revenues for Government Sponsored Entities (GSEs) fees.

(c) Fund Balance with Treasury

The CDFI Fund does not maintain cash in commercial bank accounts. The Department of Treasury processes cash receipts and disbursements. Fund Balance with Treasury is composed of appropriated and borrowed funds (financing and program accounts) that are available to pay liabilities and finance authorized award and purchase commitments. Also included are restricted funds from Government Sponsored Enterprises used to finance activities for the Capital Magnet Fund. For the purposes of the statements of cash flows, the funds with the Department of the Treasury are considered cash.

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

Loans receivable relate to direct loans made to certain CDFI Program awardees and CDFI Bond Guarantee recipients and are recorded at face value on the closing date. 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.

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 comprises specific loan analysis that considers portfolio level historical loss experience adjusted for current factors. The historical loss experience is based on actual loss history experienced by the CDFI Fund since inception of the loan portfolio. This actual loss experience is supplemented with other qualitative factors including delinquencies, adjusted asset to liability ratios of borrowers, and consideration of the number of historical loan restructurings. The allowance includes observable and non-observable impairments. A loan is considered impaired if it is probable that the CDFI Fund will not collect all principal and interest contractually due. In order to calculate the impairment amount for each loan, the borrower adjusted asset to liability ratio is reviewed and mapped to Standard and Poor's published default rates. The default rates represent the portion of each loan that is considered impaired. The impairment represents 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.

During fiscal years 2017 and 2016, the CDFI Fund received requests from a number of awardees requesting an extension of their maturity dates. The requests were processed in collaboration with the Department of the Treasury's Office of the Deputy Chief Financial Officer (DCFO). 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 subject to determination about eventual collectability.

(e) 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. None of the investments meet the criteria for Variable Interest Entity Accounting.

Typical forms of these investments include the following:

- Non-voting Equity Securities: 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 is held-to-maturity and carried at amortized cost, net of applicable discounts, subject to other-than-temporary impairments.
- Limited Partnership Interests: 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.

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.

(f) Interest and Other Receivables

Interest is accrued on the outstanding loans receivable principal balances and investments based on stated rates of interest as earned and when determined collectible. Interest is not accrued past the maturity date of loans receivable and investments.

(g) Accrued Revenue

Revenue is accrued in anticipation of collections fees from Government Sponsored Entities (GSEs), comprised of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) to fund the Capital Magnet Fund. In FY 2017 $79.5 million was accrued for 9 months of anticipated collections to be received in FY 2018. The public filings of Fannie Mae and Freddie Mac were used as a basis to calculate the accrual.

(h) 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 the CDFI Fund's various programs; and 3) the Community Investment Impact System (CIIS) – a web-based data collection system for CDFIs and CDEs.

The software is amortized using the straight-line method over the estimated useful life ranging from seven to ten years. Amortization expense for the years ended September 30, 2017 and 2016 was $822,188 and $341,341, respectively.

(i) Internal-Use Software in Development

Internal-use software encompasses software design, development, and testing of projects adding significant new functionality and long-term benefits. All costs incurred during the application development stage for 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. Internal-use software in development is recognized in other assets on the statement of financial position. Once completed the costs are transferred to internal-use software.

(j) Leases

Per ASC 840 the CDFI Fund characterizes lease payments as operating leases. The CDFI Fund does not have any capital lease agreements per the criteria established in ASC 350-40. Rent payments are recognized on a straight-line basis over the term of the lease.

(k) Awards Payable

CDFI and CMF Programs grant expense are recognized and awards payable are recorded when the CDFI 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 are 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) as the banks being awarded funds have already performed the required service in order to receive an award.

(l) 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 both 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, 2017 and 2016 was $1,231,519 and $1,115,127, 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). Additionally a 1% contribution is automatically made to TSP by the CDFI fund for each employee. The amount of cost recognized by the CDFI Fund for these contributions for the years ended September 30, 2017 and 2016 was $414,429 and $387,226, 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, 2017 and 2016 was $0 and $4,818, 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.

(m) 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.

(n) Debt

Debt represents borrowings payable to the Department of the Treasury and the Federal Financing Bank that were made to fund direct loans made by the CDFI Program and other aspects of permissible borrowing authority. The borrowings payable related to Treasury are for the subsidies incurred on direct loans. The borrowings payable related to the Federal Financing Bank represent the principal loans balances disbursed under the CDFI Bond Guarantee Program. Principal repayments to the Department of the Treasury are required to be made based on the scheduled collections of loans receivable and are due September 30 of each year of maturity. Principal repayments to the Federal Financing Bank are made quarterly and semi-annually as collections are received by loan borrowers. See Note 11 for more information and disclosures related to debt and other borrowings.

(o) 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 meeting the disclosure or recognition thresholds.

(p) Revenue and Other Income

The CDFI Fund receives funding through appropriations from the U.S. Congress. The CDFI Fund receives two-year appropriations to be used for awards, within statutory limits, and annual appropriations for operating expenses. Appropriations are recognized as revenues at the time the CDFI Fund's grants are recorded as expenses, and when administrative expenses are incurred.

The CDFI Fund also receives fees from Government Sponsored Entities (GSEs), comprised of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) under the Housing and Economic Recovery Act of 2008 (HERA) for use of funding the Capital Magnet Fund. The fees are recorded on an accrual basis as they are considered recognizable and estimable.

Furthermore, the CDFI Fund receives Bond Guarantee Administrative Fees per the Small Business Jobs Act of 2010. Per statute, the Fees collected shall be used to reimburse the Department of the Treasury for any administrative costs incurred in implementing the CDFI Fund.

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

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

(q) 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.

(r) 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.

(s) Recent Accounting Pronouncements

In April 2015 FASB issued Accounting Standards Update 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, providing amendments to ASC Topic 350-40, *Intangibles – Goodwill and Other – Internal-Use Software*. The amendment in this update provides guidance to customers about whether a cloud computing arrangement includes a software license. The new disclosures are effective for annual reporting periods beginning after December 15, 2016. The new guidance modifies the CDFI Fund's accounting of fees incurred, related to software licenses from cloud providers. The cloud computing arrangement the CDFI Fund has contracted does not meet the criteria in ASC 350-40 to include as a software license. As such, in FY 2017 CDFI Fund has accounted for the arrangement as a service contract. The CDFI recognized the expenses incurred during FY 2017 under the cloud computing arrangement in administrative expenses on the statement of operations and changes in net position and the prepayments associated with the agreement as of September 30, 2017 in other assets on the statements of financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue when the entity transfers control of promised goods and services to the customer. Revenue is recognized in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. An entity also is required to disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The FASB also has issued several amendments to the standard, which are intended to promote a more consistent interpretation and application of the principles outlined in the standard. The new standard is effective for the CDFI Fund for annual periods in fiscal years beginning after December 15, 2019. The CDFI Fund will implement the provisions of ASU 2014-09 as of October 1, 2020. The CDFI Fund is currently in the process of evaluating the impact of adoption of ASU 2014-09 on its financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. The new standard establishes a right of use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of operations and changes in net position. The new standard is effective for the CDFI Fund for annual periods in fiscal years beginning after December 15, 2019. The CDFI Fund will implement the provisions of ASU 2016-02 as of October 1, 2020. The CDFI Fund is currently in the process of evaluating the impact of adoption of ASU 2016-02 on its financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments (Topic 326). This update is intended to provide financial statement users with more decision useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The new standard is effective for fiscal years beginning after December 15, 2020. The CDFI Fund will implement the provisions of ASU 2016-13 as of October 1, 2021. The CDFI Fund is currently evaluating the impact of this ASU on its consolidated financial statements.

(4) Fund Balance with Treasury

Fund Balance with Treasury (FBwT) as of September 30, 2017 and 2016 consisted of the following components:

	2017	2016
Available	$ 33,816,642	$ 37,135,286
Obligated	258,942,803	214,074,038
Restricted	128,750,543	100,292,020
Expired	2,012,204	15,395,883
	$ 423,522,192	$ 366,897,227

FBwT includes appropriated, borrowed funds and restricted funds available to pay liabilities and finance authorized award and purchase commitments. The expired funds reflect appropriated funds that are no longer available for obligation, but can be used to pay liabilities; expired funds cancel after 5 years and are no longer available for use. Restricted funds relate to the Capital Magnet Fund, and are used to carry out competitive award grants to Community Development Financial Institutions (CDFIs) and qualified Non-Profit Housing Organizations.

(5) Loans Receivable

The CDFI Fund assesses and monitors the credit quality of its loans on an ongoing basis using audited financial statements of awardees, unaudited disclosures and IRS 990 forms. Loans receivable are disaggregated by general recourse versus asset-backed loans. Asset-backed loans represent loans issued in conjunction with the Bond Guarantee Program.

The CDFI Fund is exposed to several risk factors related to its general recourse loans receivable:

- Risk of a deteriorating economic climate and its impact on the CDFI Fund’s collection of loans.
- Economic, industry, and geographic risks associated with unsecured loans to small financial institutions.

All amounts due and payable under the loans issued through the Bond Guarantee Program are guaranteed by the United States of America, acting through the Secretary of the Treasury, thus the possibility of a loss is remote.

The CDFI Fund’s loan portfolio as of September 30, 2017 and 2016, delineated by delinquency category is as follows:

As of September 30, 2017

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Financing Receivables Loans
General Recourse	$ -	$ 421,000	$ 315,114	$ 69,230,272	$ 69,966,386
Asset-backed	-	-	-	490,990,714	490,990,714
	$ -	$ 421,000	$ 315,114	$ 560,220,986	$ 560,957,100
Less Allowance for Bad Debt					7,558,962
Total					$ 553,398,138

As of September 30, 2016

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Financing Receivables Loans
General Recourse	$ -	$ -	$ 1,356,256	$ 74,494,299	$ 75,850,555
Asset-backed	-	-	-	327,674,989	327,674,989
	$ -	$ -	$ 1,356,256	$ 402,169,288	$ 403,525,544
Less Allowance for Bad Debt					9,520,520
Total					$ 394,005,024

Gross loans receivable in nonperforming status as of September 30, 2017 and 2016 are $250,000 and $800,000, respectively. The CDFI Fund defines nonperforming status as any delinquent loan where an award recipient has not made any attempt to pay off the balance owed to the Fund.

The activity in the allowance for bad debt by loan type in fiscal years 2017 and 2016 is as follows:

As of September 30, 2017

	Beginning Balance	Write-offs	Recoveries	Reduction of Bad Debt Expense	Ending Balance
General Recourse	$ 9,520,520	$ (800,000)		$ (1,161,558)	$ 7,558,962
Asset-backed	–	–	–	–	–
	$ 9,520,520	$ (800,000)	$ –	$ (1,161,558)	$ 7,558,962

As of September 30, 2016

	Beginning Balance	Write-offs	Recoveries	Reduction of Bad Debt Expense	Ending Balance
General Recourse	$ 10,938,807	$ (500,000)		$ (918,287)	$ 9,520,520
Asset-backed	–	–	–	–	–
	$ 10,938,807	$ (500,000)	$ –	$ (918,287)	$ 9,520,520

The allowance for bad debt attributable to loans individually evaluated for impairment and loans collectively evaluated for impairment as of September 30, 2017 and 2016 is as follows:

As of September 30, 2017

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans	Allowance for Collectively Evaluated Impaired Loans	Total Allowance
General Recourse	$ 69,966,386	$ –	$7,558,962	$ –	$ 7,558,962
Asset-backed	490,990,714	–	–	–	–
	$ 560,657,100	$ –	$7,558,962	$ –	$ 7,558,962

As of September 30, 2016

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated Impaired Loans Recoveries	Allowance for Collectively Evaluated Impaired Loans Provision	Total Allowance
General Recourse	$ 75,850,555	$ –	$ 9,520,520	$ –	$ –
Asset-backed	327,674,989	–	–	–	–
	$ 403,525,544	$ –	$ 9,520,520	$ –	$ 9,520,520

At September 30, 2017 and 2016 impaired loans with and without a related allowance are as follows:

As of September 30, 2017

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse	$ 2,232,781	$ 2,232,781	$ 1,338,573	$ 3,137,852	$ –
Asset-backed	–	–	–	–	–
	$ 2,232,781	$ 2,232,781	$ 1,338,573	$ 3,137,852	$ –

There were no Impaired Loans for which there is not a related allowance.

As of September 30, 2016

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse	$ 4,042,923	$ 4,042,923	$ 2,674,706	$ 4,042,923	$ 6,125
Asset-backed	–	–	–	–	–
	$ 4,042,923	$ 4,042,923	$ 2,674,706	$ 4,042,923	$ 6,125

There were no Impaired Loans for which there is not a related allowance.

During the years ended September 30, 2017 and 2016 the CDFI Fund recognized interest income related to impaired loans of $0 and $6,125, respectively. The CDFI Fund recognizes interest income on impaired loans as earned in accordance with loan agreements.

A loan is considered impaired when, based on current information and events, it is probable that the CDFI Fund will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans and loans with asset to liability ratio, excluding restricted assets, below 100%. Impaired loans include loans modified in troubled debt restructurings ("TDRs") where concessions have been granted to borrowers experiencing financial difficulties only if the most current asset to liability ratio, excluding restricted assets, is below 100%. The TDR concessions may include a reduction in the interest rate on the loan, payment extensions, or other actions intended to maximize collection.

As of September 30, 2017 the CDFI Fund had a total recorded investment of 2 impaired loans from General Recourse TDRs of $986,114 of which $986,114 had a related allowance for bad debt of $556,652. As of September 30, 2016 the CDFI Fund had a total recorded investment of 4 impaired loans from General Recourse TDRs of $2,406,256 of which $2,406,256 had a related allowance for bad debt of $1,686,306. There were no CDFI Bond Guarantee Program TDRs as of September 30, 2017 or 2016.

For the years ended September 30, 2017 and 2016, grants in the amount of $4,944,000 and $3,153,000 respectively, were disbursed to debtors owing receivables whose terms have been modified in TDRs. As of September 30, 2017 and 2016, there were commitments in the amount of $4,804,120 and $5,994,000 respectively to disburse grants to debtors owing receivables whose terms have been modified in TDRs.

The CDFI Fund utilizes a rating system to classify loans according to credit worthiness and risk. Each loan is categorized as pass, likely, doubtful or loss.

A description of each category (credit quality indicator), in terms of the attributes of the borrower, the business environment in which the borrower operates or the loan itself, follows:

Pass – Timely interest and highly probable principal payments; strong debt service capacity and viability;

Likely – Timely interest and principal payments likely; average debt service capacity and viability;

Doubtful – Weak debt service capacity and/or going concern issues; evidence of financial hardship; repayment may be possible with serious hardship;

Loss – Poor debt service capacity and going concern issues; in default; full loss is probable.

The credit quality indicators for loans receivable as of September 30, 2017 and 2016 were as follows:

As of September 30, 2017

	Pass	Likely	Doubtful	Loss	Total
General Recourse	$ 34,385,649	$ 33,347,956	$ 1,917,667	$ 315,114	$ 69,966,386
Asset-backed	490,990,714	–	–	–	490,990,714
	$ 525,376,363	$ 33,347,956	$ 1,917,667	$ 315,114	$ 560,957,100

As of September 30, 2016

	Pass	Likely	Doubtful	Loss	Total
General Recourse	$ 36,633,937	$ 35,173,695	$ 2,926,667	$ 1,116,256	$ 75,850,555
Asset-backed	327,674,989	–	–	–	327,674,989
	$ 364,308,926	$ 35,173,695	$ 2,926,667	$ 1,116,256	$ 403,525,544

(6) Amortized Cost Method Investments

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, 2017 and 2016 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2017:			
Convertible debt securities	$ 651,927	$ -	$ 651,927
Secondary capital securities	$ 2,179,318		$ 2,179,318
Total	$ 2,831,245	$ -	$ 2,831,245

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2016:			
Convertible debt securities	$ 607,824	$ -	$ 607,824
Secondary capital securities	$ 2,155,181		$ 2,155,181
Total	$ 2,763,005	$ -	$ 2,763,005

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2017:

	Fair Value
Held-to-Maturity:	
Within one year	$ -
Due after one through five years	2,179,318
Due after five through ten years	-
Due after ten years	651,927
Total	$ 2,831,245

The CDFI Fund evaluates whether unrealized losses on investment securities indicate other-than-temporary impairment. Significant factors considered include 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 September 30, 2017 or September 30, 2016.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2017 and 2016, this category consists of one debenture of $1.975 million and $1.975 million notional amount, respectively (amortized cost of $651,927 and $607,824 as of

September 30, 2017 and 2016, respectively) which matures January 2048 with the option to convert into 197,500 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: September 14, 2020 and April 9, 2022 respectively.

(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, 2017 and 2016. 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.

	2017		**2016**	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Fund Balance with Treasury	$ 423,522,192	$ 424,000,000	$ 366,897,227	$ 367,000,000
Loans Receivable	553,398,138	531,000,000	394,005,024	396,000,000
Investments, amortized costs	2,831,245	3,000,000	2,763,005	3,000,000
Investments, equity method	867,896	900,000	749,041	700,000
Investments, cost method	14,142,519	31,000,000	14,326,252	29,000,000
Financial liabilities:				
Awards payable	18,837,894	19,000,000	1,610,025	2,000,000
Debt	567,401,984	524,000,000	396,895,128	382,000,000

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

Fund Balance with Treasury and awards payable: The carrying amounts, at face value, 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 or debt 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.

Investments, cost method: 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.

Investments, equity method: Investments are analyzed and reported in accordance with ASC 323-10-35. The CDFI Fund's prior year carrying value is adjusted for current year results of operations through the recognition of profit/loss less any distributions.

(b) Fair Value Hierarchy

The level of the fair value hierarchy within which the fair value measurement are categorized in their entirety are as level 1 inputs. 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.

(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 $14,142,519 and $14,326,252 at September 30, 2017 and 2016, respectively. All securities were evaluated for impairment. The measurement of impairment is fair value and net equity was evaluated for sufficiency to cover preferred interest if liquidation occurred. The evaluation identified one investment that was determined to be other than temporarily impaired and was written down during fiscal year 2017 totaling, $132,230.

(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 Investment Partners II (7%) and a non-voting redeemable transferable interest in BCLF Ventures II, LLC (18%). Equity method investments totaled $867,896 and $749,041 at September 30, 2017 and 2016, respectively.

(10) Other Liabilities

Other Liabilities represents a liability to reflect assets owed by the CDFI Fund to the Department of the Treasury's General Fund. Other Liabilities include penalty and late fees due to delinquent loans totaling $12,500 and $40,000 at September 30, 2017 and 2016, respectively.

(11) Debt and Other Borrowings

Payments to the Department of the Treasury are due on September 30 of each year of maturity. Principal payments that include direct loans and total principal payments for the bond guarantees on this debt as of September 30, 2017 are as follows:

Fiscal Year	Principal Payments
2018	$ 23,690,616
2019	28,173,714
2020	19,884,304
2021	18,083,606
2022	20,306,482
Later years, through 2058	450,818,378
Total	$ 560,957,100

During fiscal year 2017, the CDFI Fund borrowed $187,596,085 for new loans. This included $175,744,490 for BGP loans, $7,164,303 for BGP downward subsidy reestimate, $2,060,980 for direct loans, $409,206 for direct loan downward subsidy reestimate, and $2,217,106 to meet annual interest payments due to the Department of the Treasury, at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories.

During fiscal year 2016, the CDFI Fund borrowed $218,471,745 for new loans, This included $210,681,893 for BGP loans, $405,108 for BGP downward subsidy reestimate, $5,298,457 for direct loans, $1,056,626 for direct loan downward subsidy reestimate, and $1,029,661 to meet annual interest payments due to the Department of the Treasury, at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories.

Interest paid in cash for the years ended September 30, 2017 and 2016 was $17,385,594 and $12,975,346 respectively.

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

(12) Commitments

(a) Operating Leases

The CDFI Fund leases office space and equipment in Washington, D.C. under the terms of an implicit operating lease between the General Services Administration and Eleven Eighteen Limited Partnership which expires in March, 2019. The total operating lease expense was $1,189,811 and $1,031,234 for the years ended September 30, 2017 and 2016, respectively.

Future estimated minimum payments due under these operating leases as of September 30, 2017 were as follows:

Fiscal Year	*Estimated minimum lease payments
2018	1,201,683
2019	1,226,503
	$2,428,186

* Estimates are based off of the 2010 occupancy agreement between The Department of the Treasury and the General Services Administration. Includes rent and guards.

(b) Award, Purchase and Bond Guarantee Program Commitments

As of September 30, 2017 and 2016, unfilled award commitments amounted to $208,985,026 and $216,474,451 respectively. Award commitments relate to CDFI Program and NACA Program awards which were approved by CDFI Fund management but not disbursed as of the end of the year. Award commitments pertaining to the Capital Magnet Fund of $0 and $91,472,163 as of September 30, 2017 and 2016, respectively, were approved by CDFI Fund management but not disbursed as of the end of the year. The CDFI Program, NACA Program, and Capital Magnet Fund award commitments are not considered liabilities at year-end because the awardees have not met the conditions required for payment.

Award commitments pertaining to the BEA Program of $18,837,844 and $0 as of September 30, 2017 and 2016, respectively, represent expenditures incurred by awardees for which the CDFI Fund will reimburse the awardee through a grant award 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 $0 and $1,610,025 as of September 30, 2017 and 2016, respectively, are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $8,138,981 and $6,405,679 as of September 30, 2017 and 2016, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

As of September 30, 2017 and 2016, Bond Guarantee Program unfilled commitments for related direct loan disbursements amounted to $856,918,791 and $784,148,333 respectively. Actual disbursement is subject to borrowers satisfying certain conditions. Funding for such loans is covered by CDFI's established borrowing authority.

(13) Unexpended Appropriations

Unexpended appropriations for the years ended September 30, 2017 and 2016 were as follows:

		2017		2016
Beginning unexpended appropriations:	$	272,860,385	$	231,850,196
Appropriations received		248,640,726		235,481,809
Appropriations for Subsidy Reestimate		1,076,660		3,026,440
Appropriations cancelled		(7,989,341)		(2,030,233)
Appropriations expended		(225,086,862)		(189,477,389)
Downward Subsidy Reestimate Adjustment		(12,247,656)		(5,990,438)
Change in unexpended appropriations		4,393,527		41,010,189
Ending unexpended appropriations	$	277,253,912	$	272,860,385

(14) Imputed Financing

Imputed financing represents specific expenses relating to the CDFI Fund paid for by another Federal organization. The components of imputed financing include pension costs for CSRS and FERS retirement plans, Health Benefits Program costs, Group Life Insurance Program costs and audit fees. Imputed financing expenses for the years ended September 30, 2017 and 2016 were $685,791 and $828,666 respectively.

(15) Government Sponsored Entities' Fees – Capital Magnet Fund

Under the Housing and Economic Recovery Act of 2008 (HERA), 12 USC 4567, the Government Sponsored Entities (GSEs), comprised of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac) are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases, of which 25 percent must be deposited into a reserve fund for the HOPE for Homeowners Program, and, of the remaining amount available, the Housing Trust Fund (a HUD Program) will receive 65 percent of the funds, and the CMF will receive 35 percent of the funds. The Federal Housing Finance Agency (FHFA), acting as the GSEs' conservator, suspended the implementation of these allocations before they were set to begin. In December 2014, the FHFA lifted its suspension of the GSEs' allocation and directed the GSEs to begin setting aside funds. Based on their calendar year 2016 activities, the GSEs' transferred $119,413,318 to the CDFI Fund in February 2017 for the CMF Program. An accrual of $79,500,000 was made in anticipation of collections in FY 2018 for fees estimated through September 30, 2017.

Based on their calendar year 2015 activities, the GSEs' transferred $100,292,020 to the CDFI Fund in February 2016 for the CMF Program. An accrual of $83,500,000 was made in anticipation of collections in FY 2017 for fees estimated through September 30, 2016.

The Cumulative Results of Operations – Capital Magnet Fund is composed entirely of restricted funds from collection of GSEs fees. Under federal statute these funds have been specifically identified and are only designated for activities, benefits, or purposes of the Capital Magnet Fund. Administrative expenses are covered by the GSE fees collected, as per the federal statute, amounts in the Capital Magnet Fund shall be available to the Secretary of the Treasury to carry out a competitive grant program.

(16) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2017 and 2016:

	2017	2016
Personnel compensation and benefits	$ 12,748,100	$ 11,641,871
Travel	65,623	54,821
Rent, communication, utilities and miscellaneous charges	1,189,811	1,031,234
Contractual services with other agencies	4,962,359	5,336,582
Contractual services with non-federal parties	5,580,583	9,278,633
Information technology systems maintenance	67,510	563
Amortization	822,188	341,341
Supplies and printing	77,270	37,131
Total	$ 25,513,444	$ 27,722,176

(17) Related Party Transactions

The CDFI Fund has Interagency agreements with the Department of the Treasury and the Department of Energy. As of September 30, 2017 and 2016, these related party expenses amounted to $6,094,366 and $7,365,978, respectively.

Expenses were recorded as follows for fiscal years 2017 and 2016: Interagency Agreements with Departmental Offices for financial management services, conference and events, postage, human resources services, and Working Capital Fund shared IT services for the amount of $2,392,700 and $2,215,723 for fiscal years 2017 and 2016, respectively. An Interagency Agreement with the Bureau of the Fiscal Service for accounting services, e-Travel and Prism for the amount of $1,883,576 and $1,669,538 for fiscal years 2017 and 2016, respectively. An Interagency Agreement with Alcohol and Tobacco Tax and Trade Bureau for IT services for the amount of $1,818,090 and $2,724,697 for fiscal years 2017 and 2016, respectively. An Interagency Agreement with Office of Financial Stability for personnel for the amount of $0 and $(11,478) for fiscal years 2017 and 2016, respectively. An Interagency Agreement with Department of Energy for IT services related to the Portfolio Analysis and Performance Reporting System for the amount of $0 and $767,498 for fiscal years 2017 and 2016, respectively.

(18) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 13, 2017, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

Appendix: Glossary of Acronyms

A
AFR – Agency Financial Report
AMIS – Awards 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

G
GMLoB – Grants Management Line of Business
GSE – Government Sponsored Entity (ies)

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

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
PPC - Persistent Poverty Counties

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

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