Audit Report

OIG-19-014

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2018 and 2017

November 14, 2018

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, 2018

**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 Financial Statements for Fiscal Years 2018 and 2017

I am pleased to transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2018 and 2017, and for the years then ended, and provided a report on internal control over financial reporting, and 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. 19-01, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency, *Financial Audit Manual*.

In its audit of the CDFI Fund, KPMG found

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

KPMG also issued a management letter dated November 13, 2018, discussing a matter involving internal controls that was identified during the audit but was not required to be included in the auditors' report. This letter will be transmitted separately.

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, 2018, 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 Audit, at (202) 927-5591.

Attachment

AGENCY FINANCIAL REPORT
FISCAL YEAR 2018

Community Development Financial Institutions Fund

U.S. Department of the Treasury

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MESSAGE FROM THE DIRECTOR

I am pleased to present the fiscal year (FY) 2018 Agency Financial Report for the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund).

Since its inception, the CDFI Fund has provided nearly $3.2 billion through a variety of monetary award programs, $54.0 billion in tax credits through the New Markets Tax Credit Program, and has issued $1.5 billion in bonds through the CDFI Bond Guarantee Program, all to increase the impact of CDFIs and other community development organizations in distressed and underserved communities. During this time, the CDFI Fund has helped build the capacity of more than 1,100 certified CDFIs, which are located in all fifty states, as well as in the District of Columbia, Guam, and Puerto Rico.

In FY 2018, the CDFI Fund built on this strong history of performance by providing nearly $345 million[1] in monetary awards and loans, and a $150 million bond guarantee to community development organizations. The CDFI Fund also allocated $3.5 billion in New Markets Tax Credits.

The demand for the CDFI Fund's awards continued to exceed the supply of resources for nearly all programs in FY 2018, demonstrating strong applicant pools from which awardees were selected.

FY 2018 CDFI Fund Programs - Program Demand

Program	Awards	
	Requested	Available
Bank Enterprise Awards Program	$218.1 million	$25.0 million
Capital Magnet Fund	$571.9 million	$142.9 million
CDFI Program (Financial Assistance & Technical Assistance)	$334.9 million	$165.0 million
Native American CDFI Assistance Program (NACA Program)	$33.7 million	$15.1 million
Healthy Food Financing Initiative	$75.3 million	$22.0 million
New Markets Tax Credit Program	$14.8 billion	$3.5 billion
CDFI Bond Guarantee Program	$250.0 million	$500.0 million

CDFI Fund awards have leveraged billions of dollars in private sector investment, and have expanded recipients' capacity to finance businesses, to develop affordable housing, and to support locally-driven revitalization initiatives.

But, the CDFI Fund's work is about more than offering programs and providing awards—it is also about changing lives and building strong, thriving communities. Each business financed, each job created, and each unit of affordable housing developed represents a critical step in the transformation of a life, a family, and a community.

[1] This includes FY 2017 Appropriations awarded in FY 2018, as well as FY 2018 Appropriations awarded in FY 2018.

In FY 2018, the CDFI Fund undertook several key administrative and program initiatives to maximize the agency's effectiveness, efficiency, and results. These included:

- Ongoing implementation of the Awards Management Information System (AMIS) to improve the quality of the CDFI Fund's data, decision-making, and delivery of program resources, including the consolidation of legacy compliance reporting functions into AMIS.
- Developing the new CDFI Program Assessment and Risk Management Framework, a suite of six technological tools that the CDFI Fund will use to assess the financial and programmatic risk of CDFI Program applicants and award recipients and support the CDFI Fund's ongoing efforts to enhance compliance monitoring using risk-based strategies.
- Supporting the IRS in its designation process of Opportunity Zones, a new economic development tool designed to spur investment in distressed communities by providing a tax benefit for investors to reinvest capital gains in Qualified Opportunity Funds.
- Providing the first ever Disability Funds-Financial Assistance awards to certified CDFIs in order to support the expansion of financial services and products available to persons with disabilities.
- Continuing to support Persistent Poverty Counties. One-third of FY 2018 CDFI Program and NACA Program award recipients committed to serve Persistent Poverty Counties and more than 16 percent of the total amount awarded during the FY 2017 round of the Bank Enterprise Award Program awards were committed to Persistent Poverty Counties.
- Providing strategic outreach and training to distressed and underserved areas across the country, including Colonias border region in south Texas; disaster-impacted communities in Puerto Rico; and Tribal areas in Alaska and Montana.
- Relaunching the CDFI Fund's Capacity Building Initiative to increase capabilities of CDFIs to deploy capital in distressed and underserved areas in order to support community development activities.

The CDFI Fund's work continues to have tangible impacts across distressed and underserved communities throughout the country. These results would not be possible without the dedicated efforts of the CDFIs and community-based organizations nationwide who participate in our programs. Finally, I am grateful to the CDFI Fund staff whose hard work and commitment to excellence and public service can be counted on each and every day.

Mary Ann Donovan
Director
Community Development Financial Institutions Fund
November 13, 2018

OVERVIEW

The Community Development Financial Institutions Fund

The Creation of the CDFI Fund

Established by the Riegle Community Development and Regulatory Improvement Act of 1994 (Riegle Act; P.L. 103-325), the Community Development Financial Institutions Fund (CDFI Fund) has worked for more than two decades to generate economic opportunity in places where opportunity is needed most.

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

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

The Work of the CDFI Fund

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

- **Bank Enterprise Award Program:** provides monetary awards to federally-insured banks that demonstrate increased investments in distressed communities and/or CDFIs.
- **Capital Magnet Fund:** provides awards to CDFIs and non-profit affordable housing organizations for the development, preservation, rehabilitation, and purchase of affordable housing and for related economic development in low-income communities.
- **CDFI Bond Guarantee Program:** provides a source of long-term capital for CDFIs by guaranteeing bonds issued to support CDFIs that make investments for eligible community or economic development purposes.

- **Community Development Financial Institutions Program:** provides Financial Assistance and Technical Assistance awards to help certified and emerging CDFIs sustain and expand their services and build their technical capacity. The program also includes:
    - **Healthy Food Financing Initiative:** provides Financial Assistance awards to certified CDFIs that invest in businesses that provide healthy food options, such as grocery stores, farmers markets, bodegas, food co-ops, and urban farms.
    - **Disability Funds-Financial Assistance:** provides Financial Assistance awards to certified CDFIs that wish to expand their financing activities and services for persons with disabilities.
    - **Persistent Poverty County-Financial Assistance:** provides Financial Assistance awards to certified CDFIs that provide Financial Products in Persistent Poverty Counties (PPCs).
- **Native American CDFI Assistance Program:** part of the Native Initiatives, provides Financial Assistance and Technical Assistance awards to build the capacity of CDFIs serving Native American, Alaska Native, and Native Hawaiian communities.
- **New Markets Tax Credit Program:** provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling them to attract investment from the private sector and reinvest the funds in low-income communities.

Since its creation, the CDFI Fund has awarded more than $3.2 billion to community development organizations and financial institutions. It also has awarded tax credit allocations totaling $54.0 billion, including $1.0 billion of special allocation authority used for the recovery and redevelopment of the Gulf Opportunity Zone, through the New Markets Tax Credit Program.

These awards have leveraged billions of dollars in private sector investment. They have increased the impact of CDFIs, CDEs, and other community-based development organizations by expanding their capacity to deliver the credit, capital and financial services that generate new economic opportunity in underserved communities.

What is a CDFI?

CDFIs are community-based financial institutions that have a common goal of filling financing gaps in underserved, low-income areas. As community-based institutions, they possess a keen sensitivity to needs of local residents and businesses, and their creation reflects a bottom-up, rather than a top-down, approach to community investment and revitalization.

Today, there are more than 1,100 CDFIs serving urban and rural communities throughout the United States. CDFIs are found in all fifty states, the District of Columbia, Guam, and Puerto Rico.

They bridge diverse public and private sector interests to serve people and places that traditional financial institutions usually do not. CDFIs provide:

- loans for businesses and projects that otherwise would not qualify for financing;
- safe, affordable banking services that otherwise would not be available in the community;
- loan rates and terms that are more flexible than those offered by traditional lenders; and
- development services—such as business planning, credit counseling, and homebuyer education—to help their borrowers use credit effectively and build financial strength.

As a result, CDFIs support the creation of small businesses and local jobs, and the development of affordable housing, community facilities and schools—all in places where economic opportunity is needed most.

Types of CDFIs

There are four basic types of CDFIs:

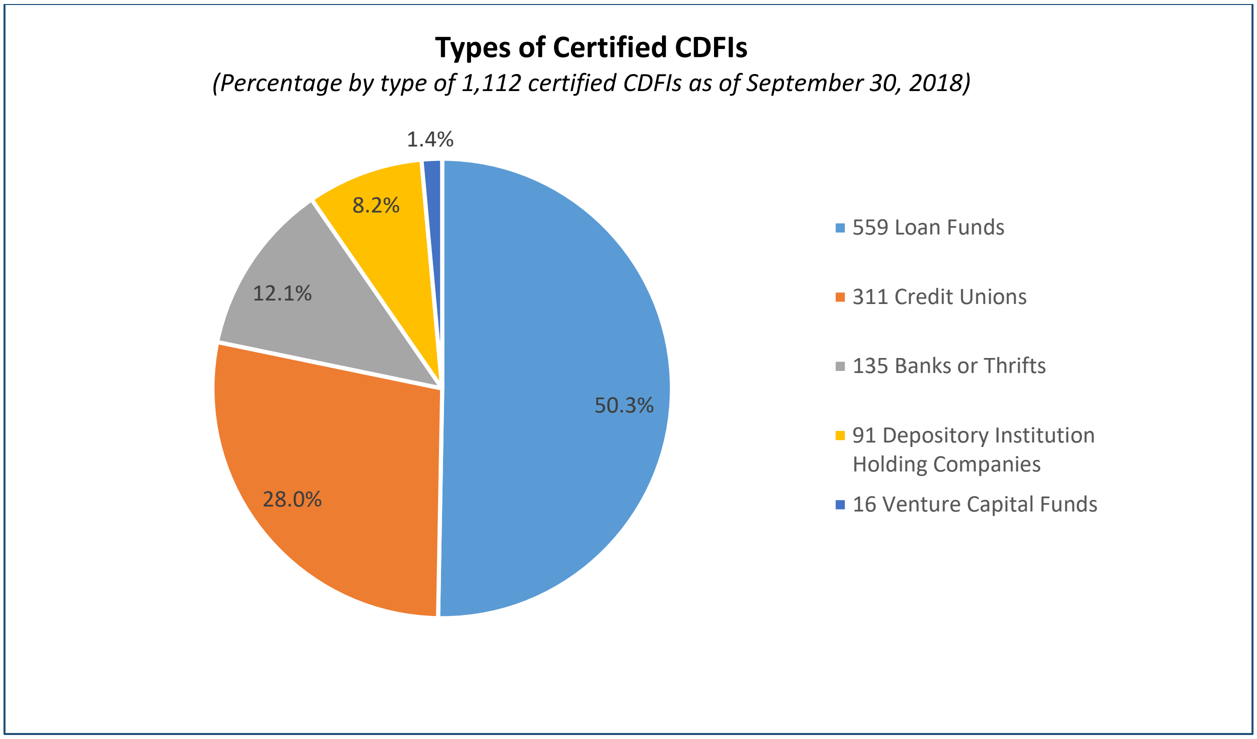
1. **Community development banks, thrifts and bank holding companies** - Regulated, for-profit corporations that provide basic retail banking services, as well as capital to rebuild economically distressed communities through targeted lending and investment.

2. **Community development credit unions** - Regulated, member-owned non-profit cooperatives that promote ownership of assets and savings, and provide affordable loans and retail financial services.

3. **Community development loan funds** - Typically non-profits that provide high-quality loans and development services to microenterprises, small businesses, affordable housing developers, and community service organizations.

4. **Community development venture capital funds** - For-profit and non-profit organizations that provide equity and debt-with-equity features to businesses in distressed communities.

Although each type of CDFI provides different products and services to different types of customers, all four share a common goal of revitalizing low-income communities.



CDFI Certification

An organization is required to be certified as a CDFI to be eligible for most of the CDFI Fund's programs. To qualify for certification, an organization must meet seven eligibility requirements:

1. Be a legal entity at the time of application;

2. Have a primary mission of promoting community development;

3. Primarily serve one or more target markets;

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, nor be controlled by any governmental entities.

Once a CDFI has been certified, it must submit an Annual Certification and Data Collection Report (ACR) to allow the CDFI Fund to assess whether the organization is in compliance with certification rules and monitor any changes in the organization's financial and other data.

What is a CDE?

A Community Development Entity (CDE) is a domestic corporation or partnership that is a financial intermediary vehicle for the provision or purchase of loans, investments, or financial counseling in low-income communities. Certification as a CDE allows organizations to participate either directly or indirectly in the New Markets Tax Credit Program (NMTC Program).

The NMTC Program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income taxes in exchange for making equity investments in CDEs. A CDE applies to the CDFI Fund to receive the authority to allocate a specified dollar amount of tax credits. It offers tax credits to investors in exchange for their investments, and uses those funds to makes loans to or equity investments in qualified businesses in the community.

Through the NMTC Program, CDEs support a wide range of businesses, including manufacturing, food, retail, housing, health, technology, energy, education, and childcare. Communities benefit from the jobs created by these investments, as well as from the community facilities and commercial goods and services that the businesses provide.

CDE Certification

In addition to certifying CDFIs, the CDFI Fund certifies CDEs. To be certified as a CDE, an organization must apply for certification and meet three eligibility requirements:

1. Be a legal entity at the time of application;
2. Have a primary mission of serving low-income communities; and
3. Be accountable, through representation on a governing board or advisory board, to the residents of its targeted low-income communities.

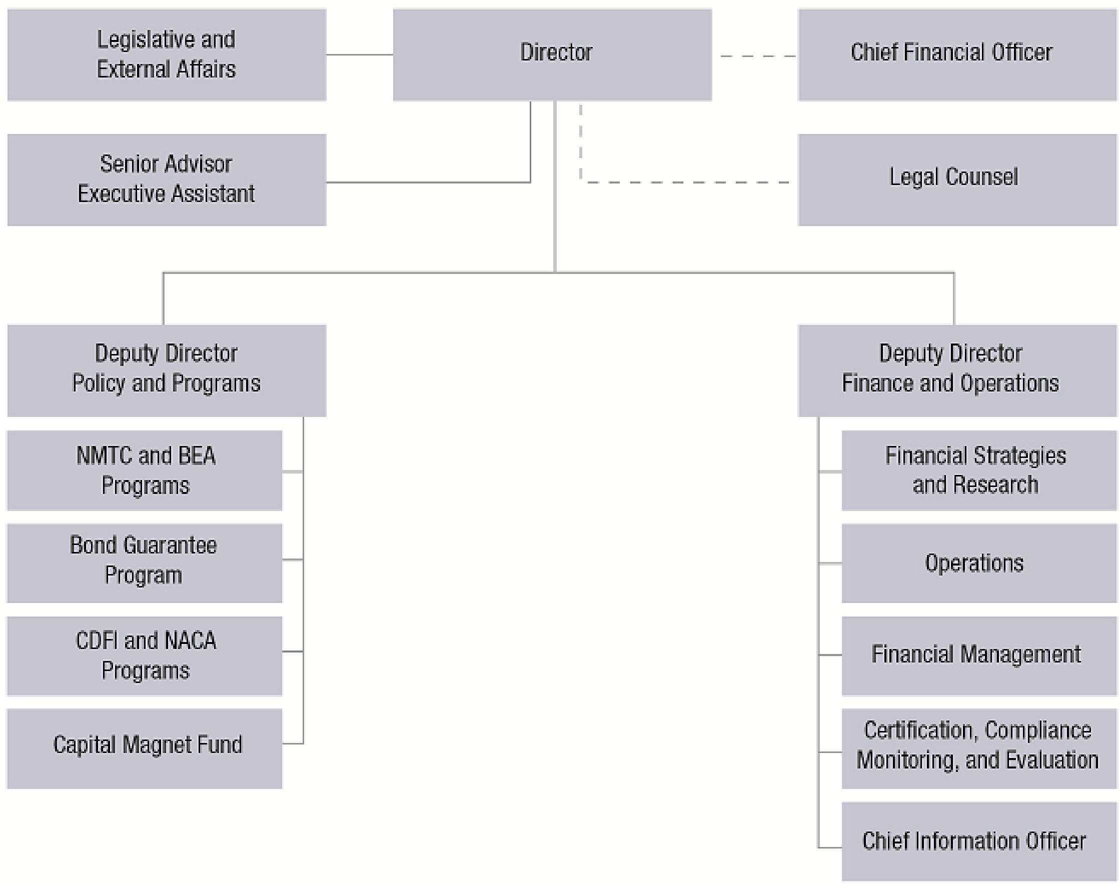
When an organization is certified as a CDE, it is eligible to apply to participate in the NMTC Program.

The Operations of the CDFI Fund

The CDFI Fund is an office within the U.S. Department of the Treasury, and performs a wide range of functions to ensure that it fulfills its mission.

Organization

The organization chart below shows how the CDFI Fund is structured to best support the administration of its programs.



Community Development Advisory Board

In accordance with the Riegle Act, the CDFI Fund's organization also includes a Community Development Advisory Board that advises the Director of the CDFI Fund on policies regarding the activities of the CDFI Fund. The Advisory Board is required to meet at least once each year.

The Advisory Board consists of 15 members: nine private citizens appointed by the President, as well as the Secretary of the Departments of Agriculture, Commerce, Housing and Urban Development, Interior, and Treasury, and the Administrator of the Small Business Administration, or his or her designee. The nine private citizens include:

- Two officers of existing CDFIs;

- Two officers of insured depository institutions;
- Two officers of national consumer or public interest organizations;
- Two individuals with expertise in community development; and
- One individual with personal experience and specialized expertise in the unique lending and community development issues of Indian tribes on Indian reservations.

The Chair of the Advisory Board is elected by the nine private citizens.

Appropriations and Sources of Funding

Congress appropriates funding to the CDFI Fund each year. The appropriation consist of two types of funds:

- **Program funds**, which are used for Bank Enterprise Awards, Financial Assistance and Technical Assistance awards (such as grants, loans, deposits, and equity investments), and capacity building/training contracts; and
- **Administrative funds**, which are used to cover the costs to administer all of the CDFI Fund's programs, including the NMTC Program and the CDFI Bond Guarantee Program.

In FY 2018, Congress appropriated the CDFI Fund $250 million as follows:

Congressional Appropriations
(Amounts in Millions)

Appropriations	FY 2018		FY 2017	
	Amount	Percent	Amount	Percent
Amounts Funded:				
- CDFI Program	$182.0	72.8%	$183.5	73.9%
- BEA Program	$25.0	10.0%	$23.0	9.3%
- Native Initiatives	$16.0	6.4%	$15.5	6.3%
- Administrative Cost	$27.0	10.8%	$26.0	10.5%
Total Amounts Funded	$250.0	100.0%	$248.0	100.0%
Less Amounts Not Obligated[2]	$28.8		$29.0	
Total Funding Used	$221.2	88.5%	$219.0	88.3%

[2] In FY 2017, the CDFI Fund did not obligate $29.0 million, which included $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.

In FY 2018, the CDFI Fund did not obligate $28.8 million, which included $2.7 million from the CDFI Program (this includes unobligated balances from the subsidies for the direct loans), $25.0 million from the BEA Program, and $1.1 million from the NACA program.

It should be noted that the funding for the Capital Magnet Fund is not provided through the annual appropriations process. Funding for the Capital Magnet Fund comes from allocations made by the Government-Sponsored Enterprises Fannie Mae and Freddie Mac on a mandatory basis, as authorized by the Housing and Economic Recovery Act of 2008. Likewise, the CDFI Bond Guarantee Program and the New Markets Tax Credit Program are also non-appropriated programs. Authorization to allocate New Market Tax Credits on an annual basis is provided through the Protecting Americans from Tax Hikes Act of 2015. Bond guarantee issuance authority is provided by Congress annually through the appropriations process.

Program funds can be used over two fiscal years, however administrative funds expire at the end of each fiscal year. Appropriations include fiscal year budget authority and the amount available in a given year includes any unobligated funds from the prior year that may be carried over. In addition, the annual appropriation includes authority to make loans and issue guarantees.

Sources of CDFI Fund Funding

(Amounts in Millions)

	FY 2018	**FY 2017**
Budgetary Appropriations	$250.0	$248.0
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	$1.0	$0.5
Carryover from Prior Year	$29.0	$28.3
No-Year Funds	$3.5	$5.4
Borrowing Authority Used[3]	$243.7	$187.6
Total Sources of Funds	**$527.2**	**$469.8**

[3] Represents $21.2 million borrowed for direct loan subsidies from Treasury's Federal Borrowings Branch related to the CDFI Program and CDFI Bond Guarantee Program, and $222.5 million borrowed from the Federal Financing Bank for principal loans balances related to the CDFI Bond Guarantee Program.

PROGRAM DISCUSSION AND ANALYSIS
The Community Development Financial Institutions Fund

The CDFI Fund's Programs

The CDFI Fund offers six programs to help CDFIs, CDEs, banks, credit unions and community development organizations generate economic opportunity by increasing access to financial services in low-income communities:

- Bank Enterprise Award Program
- Capital Magnet Fund
- CDFI Bond Guarantee Program
- CDFI Program
- Native Initiatives
- New Markets Tax Credit Program

The CDFI Fund provides awards for each of these programs through a rigorous application process.

Bank Enterprise Award Program

Established in 1994, the Bank Enterprise Award Program (BEA Program) recognizes and seeks to expand the important role that traditional banks and thrifts play in community development.

How it Works

Purpose

The BEA Program provides monetary awards to banks and thrifts that demonstrate increased investment activity in CDFIs or in their own community development activities in highly distressed communities.

The BEA Program defines "highly distressed communities" as those where at least 30 percent of the residents have incomes that are below the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate. Thus, the program targets communities with the greatest needs and generates economic opportunity for those with the least access to financial products and services.

Award Process
The BEA Program is unique among the CDFI Fund's financial award programs in that it makes awards based on investments, loans, and activities that applicants have successfully completed. The CDFI Fund's other awards are based on an applicant's plans for the future and ability to fulfill those plans.

To be eligible for a BEA Program award, an applicant must be an FDIC-insured depository institution and demonstrate that it has increased its Qualified Activities in distressed communities. There are three categories of Qualified Activities:

- **CDFI-Related Activities** - Providing equity investments, grants, equity-like loans, loans, deposits, and/or technical assistance to CDFIs.

- **Distressed Community Financing Activities** - Providing direct lending or investment in the form of affordable home mortgages, affordable housing development loans or investments, home improvement loans, education loans, small business loans or investments, small dollar consumer loans, commercial real estate development loans, or investments to residents or businesses located in distressed communities.

- **Service Activities** – Providing access to financial products and services, such as new branches, checking accounts, savings accounts, check cashing, financial counseling, or individual development accounts to residents of distressed communities.

The amount of each award is determined by the increases in the Qualified Activities achieved by applicants over a one-year assessment period; the greater the increase, the larger the award. In addition, the applicant's CDFI certification status and total asset size also factor into the award amount.

The CDFI Fund prioritizes awards according to the type of Qualified Activity. Priority is given to CDFI-Related Activities, followed by Distressed Community Financing Activities, and then Service Activities. Prioritizing CDFI-Related Activities encourages applicants to provide low-cost capital and operating support to CDFIs, which strengthens CDFIs and expands their capacity to provide financial products and services in distressed communities.

A bank or thrift that receives an award is required to reinvest it in BEA Program Qualified Activities. This increases the flow of capital to the most distressed communities and accelerates the growth of businesses, the creation of jobs, the development of affordable housing, and the availability of financial services.

Awards since Inception
Since the inception of the BEA Program in 1994, the CDFI Fund has completed 22 rounds of the program and has awarded more than $470 million.

FY 2018 Activities

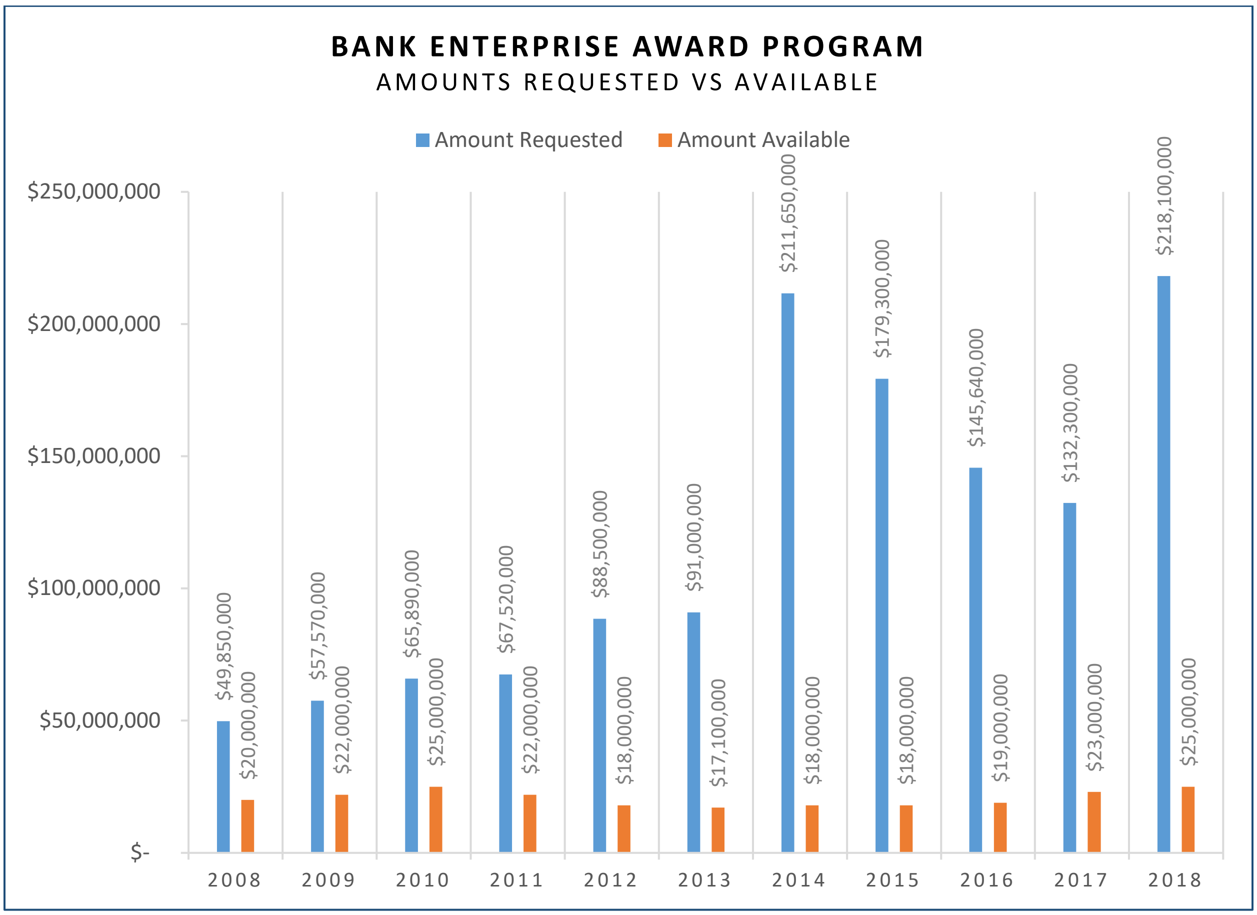
In FY 2018, the CDFI Fund completed the FY 2017 round of the BEA Program. The round opened September 2017 and awards were announced on June 27, 2018. The demand for BEA Program awards significantly exceeded the level of resources available:

- 119 applicants submitted applications requesting $131.7 million in awards.

- 113 applicants received awards totaling nearly $22.8 million in awards.

The award recipients are located in 23 states and the District of Columbia.

The CDFI Fund opened the FY 2018 round of the BEA Program on July 19, 2018, with an application submission deadline of September 20, 2018. The CDFI Fund anticipates announcing awards in December 2018.



BEA Program Impact

Collectively, during the one-year assessment period, the 113 depository institutions that received BEA Program awards during the FY 2017 round:

- Increased their loans and investments in distressed communities by $470.4 million;
- Increased their loans, deposits, and technical assistance to CDFIs by $18.6 million;
- Increased the provision of financial services in distressed communities by $7.3 million; and
- Increased their equity and equity-like loans and grants to CDFIs by $2.5 million.

In addition, 76 of the 113 award recipients committed to deploying approximately $3.7 million in Persistent Poverty Counties, which are counties where 20 percent or more of the population has lived in poverty over the past 30 years, as measured by the U.S. Census Bureau. This amount is over 16 percent of the total amount awarded during the FY 2017 round of the BEA Program, and exceeds the amount (10 percent) that Congress mandates BEA Program award recipients deploy in Persistent Poverty Counties.

A key performance measure for the BEA Program is a leverage ratio which compares the sum of all award recipients' qualified activities in eligible distressed communities and to certified CDFIs, to the sum of all awards in a given year.

- For FY 2016, the leverage ratio was 34:1, or $653.4 million in total qualified activities by all award recipients to $18.8 million in total awards.
- For FY 2017, the leverage ratio was 35:1, or $818.1 million in total qualified activities by all award recipients to $22.8 million in total awards.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was created in 2008 to spur investment in affordable housing and related economic development initiatives that serve low-income families and low-income communities across the nation.

How it Works

Purpose

Congress authorized the creation of the CMF through the Housing and Economic Recovery Act of 2008 (HERA; P.L.110-289). HERA requires two government-sponsored enterprises—the Federal National Mortgage Associate (Fannie Mae) and the Federal Home Loan Mortgage Corporation (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 annually, unless otherwise instructed by the

Federal Housing Finance Agency (FHFA), serving as their conservator. Thirty-five percent of the amount set aside by Fannie Mae and Freddie Mac is allocated to the CDFI Fund to make grants under the CMF.

The purpose of the CMF is to attract private capital for affordable housing and economic development activities in economically distressed areas. CMF award recipients are required to finance and/or to support 10 times the grant amount in eligible project costs.

Award Process

Through the CMF, the CDFI Fund provides competitively awarded grants to organizations that serve low-income communities. To be eligible for a CMF Award, an applicant must be:

- A certified CDFI, or
- A non-profit organization with a principal purpose of developing or managing affordable housing.

All applicants must demonstrate that they have been in existence as a legally formed entity for at least three years prior to the funding round application deadline.

CMF award recipients can use their grants to finance affordable housing activities, related economic development activities, and community service facilities. They must use at least 70 percent of their CMF grants to finance affordable housing, and may request to use up to 30 percent of the funds to finance economic development activities linked to affordable housing. Award recipients use the funds to create a variety of financing tools, such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees.

The CDFI Fund seeks to ensure that CMF award recipients serve diverse geographic areas, including urban and rural areas, as well as multiple states. The agency also seeks to promote CMF-financed activity in areas of economic distress.

Leveraging is a key component of the CMF. Award recipients are required to leverage their CMF award at a ratio of least ten to one. Sources of capital leveraged may include loans from banks, program-related investments from foundations, Low Income Housing Tax Credit investments, and funds contributed by the award recipient, state or local governments, or any number of other private or public sources.

The leveraging requirement multiplies the power of each CMF award ten times over, ensuring that more low-income people and low-income communities nationwide have access to affordable housing.

Awards since Inception

Since the inception of the CMF in 2008, the CDFI Fund has completed three rounds of the program and has awarded grants totaling more than $291.5 million.

HERA provides the FHFA with the authority to temporarily suspend allocations from Fannie Mae and Freddie Mac upon certain findings. The FHFA, acting as the Fannie Mae's and Freddie Mac's conservator, temporarily suspended these allocations before they began, and Congress appropriated $80 million to fund an initial round of the CMF in FY 2010. In December 2014, the FHFA lifted its suspension of Fannie Mae's and Freddie Mac's allocation and directed them to begin allocating funds for the CMF based on their calendar year (CY) 2015 Activity. The FY 2016 CMF Round was the first round funded through Fannie Mae's and Freddie Mac's annual allocation.

FY 2018 Activities

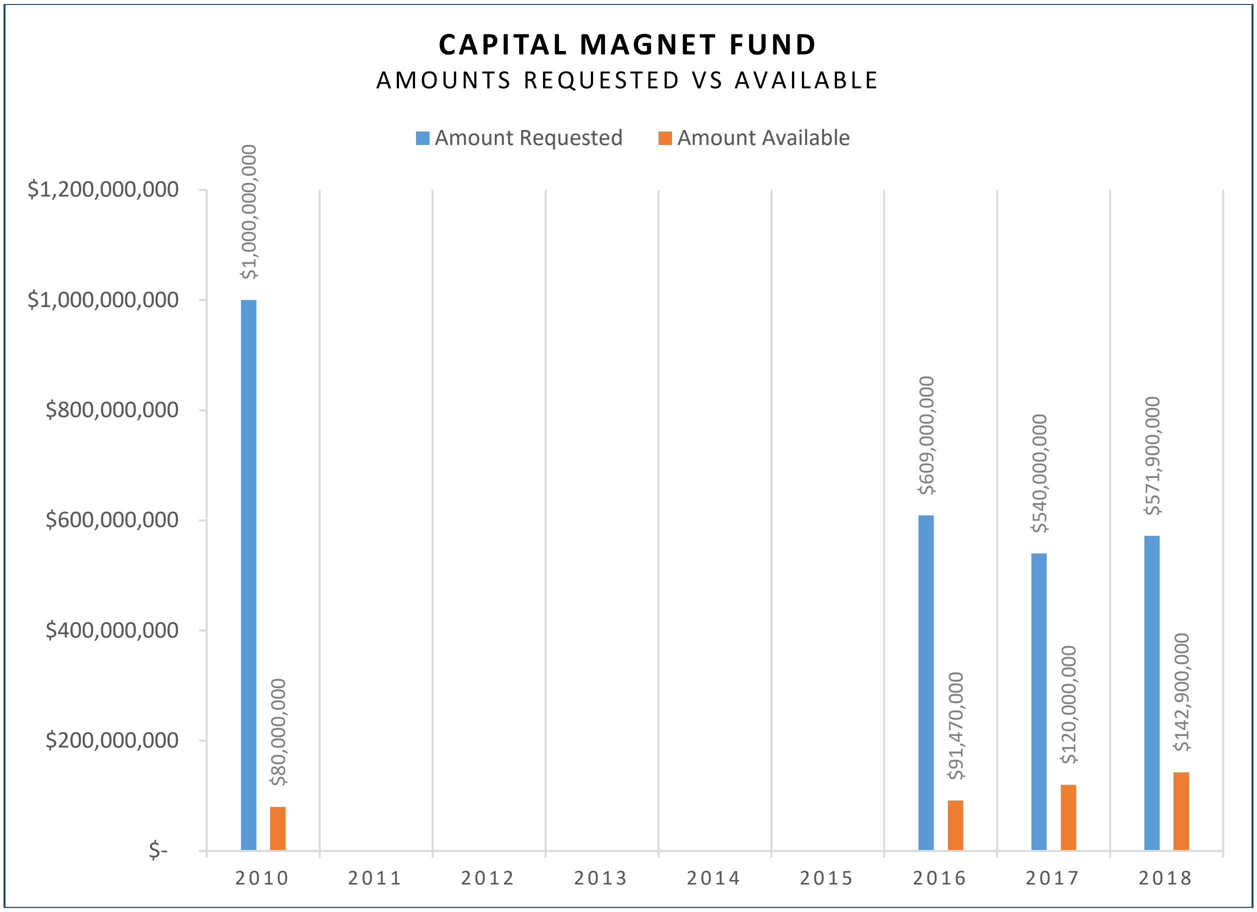
In FY 2018, the CDFI Fund completed the FY 2017 award round of the CMF, which was the third round in the program's history.

The CDFI Fund opened the FY 2017 round in June 2017 and announced the awards on March 16, 2018. The demand for CMF awards significantly exceeded the resources available for the awards:

- 120 applicants submitted applications requesting nearly $540 million in awards.
- 40 applicants received awards totaling $120 million in awards.

The 40 award recipients will serve 40 states and the District of Columbia.

The CDFI Fund opened the FY 2018 round of the program on July 18, 2018, with an application submission deadline of September 17, 2018. Approximately $142.9 million in awards will be announced in early CY 2019.



Capital Magnet Fund Impact:

FY 2017 Round Impact: Based on award recipients' projections, the FY 2017 round of the CMF will leverage an estimated $3.2 billion in public and private investment. The award recipients plan to develop more than 21,000 affordable housing units, including nearly 18,000 rental units and more than 3,000 homeownership units. Of these:

- 91 percent of all housing units will be developed for low-income families (80 percent of the area median income or below).
- 89 percent of the homeownership units will be developed for low-income families (80 percent of the area median income or below).
- 54 percent of the rental units will be developed for very low-income and extremely low-income families (50 percent of the area median income or below).

FY 2016 Round Impact: The FY 2016 CMF round awarded $91.5 million to 32 organizations. In FY 2018, these recipients reported their initial financial commitments of CMF funds to develop affordable housing units that include:

- Rental Housing Units commitments totaling $49,798,276 for development of 7,839 projected eligible units to date.

- Homeownership Unit commitments totaling $4,048,533 for the development of 652 projected eligible units to date.

- Economic Development commitments totaling $2,001,075 for facilities such as healthcare and community facilities serving these projects.

- Note that the commitment period is not yet complete. At the time of award the Award Recipients projected the development of approximately 15,000 total rental units and nearly 2,000 homeownership units.

- Overall award recipients have projected that 93 percent of all housing units will be affordable for Low-Income persons (80 percent of the Area Median Income or below), and 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).

FY 2010 Round Impact: The FY 2010 round awarded $80 million to 23 CMF recipients. These recipients have entered the affordability period of reporting to demonstrate that the affordable housing units placed into service continue to meet the affordability standards set forth in their assistance agreements.

Recipient reports available through September 30, 2018, indicate that the Capital Magnet Fund-financed affordable housing investments, through the end of the award recipients' fiscal year meet the affordable standards including:

- 13,316 affordable homes were completed and maintained their affordability standards with:
  - Affordable rental homes totaling 11,700;
  - Affordable homeowner-occupied homes totaling 1,616.

CDFI Bond Guarantee Program

Enacted through the Small Business Jobs Act of 2010, the Community Development Financial Institutions Bond Guarantee Program (CDFI Bond Guarantee Program) responds to the critical market demand for long-term, low-cost capital that can be used to spur economic growth in low-income communities.

How it Works

Purpose

The CDFI Bond Guarantee Program accelerates the economic revitalization of low-income communities by giving CDFIs access to a significant source of long-term capital.

Unlike other CDFI Fund programs, the CDFI Bond Guarantee Program does not offer grants, but is instead a federal credit program, designed to function at no cost to taxpayers. The bonds are debt instruments that must be repaid.

Through the CDFI Bond Guarantee Program, the CDFI Fund enables Qualified Issuers to issue bonds that have maturity dates of up to 29.5 years and are fully guaranteed by the federal government. The Qualified Issuer then sells the bonds to the Federal Financing Bank[4] (FFB) and uses the bond proceeds to make long-term loans at affordable rates to CDFIs to finance or refinance new or existing community development projects.

Award Process

To be considered a Qualified Issuer, an organization must:

- Be a certified CDFI or its designee;
- Be able to issue bonds and make loans; and
- Demonstrate the capacity to perform specialized administrative functions, including loan servicing and financial reporting.

During the application round, a Qualified Issuer applies to the CDFI Fund for authorization to issue bonds on behalf of CDFIs. The bonds are worth a minimum of $100 million. CDFIs have the opportunity to borrow long-term capital from the FFB for large-scale community development projects such as the development of small businesses, commercial real estate, housing units, charter schools, daycare or healthcare centers, and municipal infrastructure.

In addition, CDFIs may use the capital to extend credit to other community development borrowers or to refinance existing loans at affordable interest rates.

[4] The Federal Financing Bank (the Bank) is a government corporation under the general supervision and direction of the Secretary of the Treasury. The Congress created the Bank in 1973, at the request of the U.S. Department of the Treasury (Treasury). The Bank borrows from Treasury and lends to Federal agencies and to private entities that have Federal guarantees.

Awards since Inception

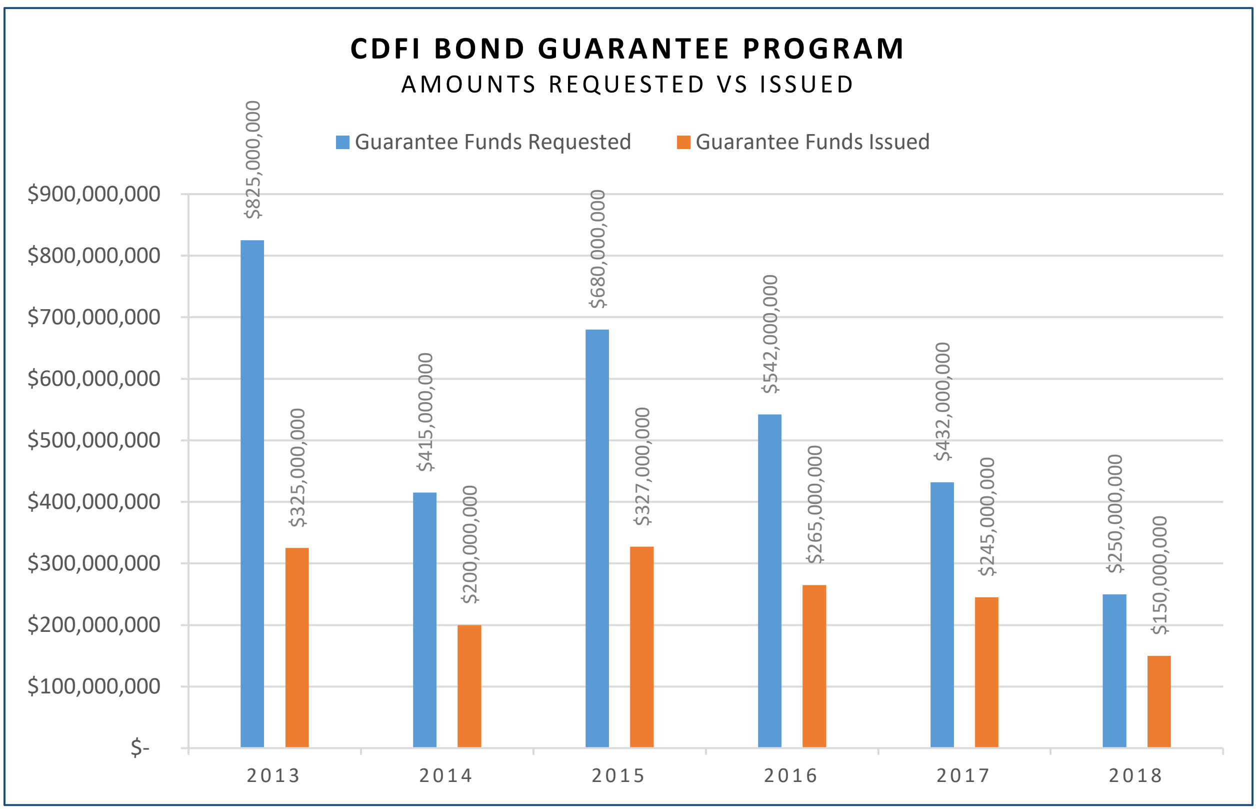
Since the inception of the CDFI Bond Guarantee Program in 2010, the CDFI Fund has completed six rounds of the program and has guaranteed more than $1.5 billion in bonds. CDFIs have up to five years to deploy committed funds. Of the $1.5 billion committed to date, participating CDFIs have deployed more than $727 million in loans.

FY 2018 Activities

On November 1, 2017, the CDFI Fund opened the FY 2018 application period for the CDFI Bond Guarantee Program and made up to $500 million in bond guarantee authority available to CDFIs. The application period for the round closed on February 16, 2018. Subsequent to this, the Consolidated Appropriations Act of 2018 (P.L. 115-141) was enacted in March 2018 and extended the CDFI Bond Guarantee Program statutory authorization until December 31, 2018.

As a result, the CDFI Fund reopened the FY 2018 application period for the CDFI Bond Guarantee Program on June 8, 2018. The application period closed on July 12, 2018.

On September 18, 2018, the CDFI Fund announced the issuance of one bond totaling $150 million under the FY 2018 application round of the CDFI Bond Guarantee Program.



CDFI Bond Guarantee Program Impact

The CDFI Bond Guarantee Program has provided long-term, fixed-rate capital for a wide range of projects in low-income urban, rural, and Native communities throughout the nation.

CDFI Bond Guarantee Program
Disbursements by Asset Class as of September 30, 2018

Asset Class	Since Inception Disbursements *($millions)*	Proposed Disbursements *($millions)*	Geography *(Based on YTD Disbursements)*
Charter Schools	$226.27	$426.83	AZ, CA, CO, CT,FL, IL, MD,
Rental Housing	$196.20	$356.88	AL, AZ, CA, DC, IL, KY, MA,
Commercial Real Estate	$121.83	$318.61	AZ, CA, IL, MI, NJ, NC, NV, [5]
CDFI to Financing Entity[6]	$73.39	$154.30	FL, IN, IL, KY, MD, MA, NJ, [7]
Healthcare Facilities	$36.07	$85.97	CA, DC, IL, PA, WI
Not-for-Profit	$34.88	$80.55	AZ, CA,MA, MI, NV, NY, PA
Senior Living and Long Term Care	$13.59	$45.65	CA, NV
Small Business	$14.41	$26.58	CA, KY, PA, CO
Daycare Centers	$10.95	$16.63	CA, NY, NY, NM
Totals	**$727.59**	**$1,512.00**	

CDFI Program

The Community Development Financial Institutions Program (CDFI Program) was created in 1994. It invests in and builds the capacity of CDFIs, empowering them to grow, to achieve organizational sustainability, and to contribute to the revitalization of their communities.

[5] *Tribal Communities in NV and OK.*
[6] *Owner Occupied Homes 99.3% and Commercial Real Estate 0.7%.*
[7] *All home mortgages except NJ.*

How it Works

Purpose

The purpose of the CDFI Program is to increase the capacity of CDFIs to serve low-income communities. The program has two primary components:

- **Financial Assistance (FA) awards** – Monetary awards provided to support the financing activities of CDFIs; and

- **Technical Assistance (TA) awards** – Grants provided to support the capacity-building activities of CDFIs.

In addition, FA applicants may apply for dedicated funding to build their capacity to provide or expand specific services, including:

- **Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards** – FA awards provided to support the healthy food financing activities of CDFIs;

- **Disability Funds-Financial Assistance (DF-FA) awards** – FA awards provided to support CDFIs that finance projects and services that assist individuals with disabilities; and

- **Persistent Poverty County-Financial Assistance (PPC-FA) awards** - FA awards provided to support CDFIs that provide Financial Products in Persistent Poverty Counties (PPCs).

Award Process

FA Awards: There are two types of applicants for FA awards: Core (established CDFIs) and SECA (small and emerging CDFIs).

To be eligible for an FA award, an organization must be a certified or certifiable CDFI. A certifiable CDFI is an entity that has applied for CDFI certification by the deadline specified in the applicable Notice of Funds Availability but has not been certified by the time it applies for an FA award.

In addition, an organization must demonstrate that it has the financial and managerial capacity to make significant impact in the communities they serve. It must meet four criteria:

1. Be able to provide affordable and appropriate financial products and services;

2. Be a viable financial institution;

3. Be able to use an FA award effectively; and

4. Have the ability to leverage its awards with non-federal funding.

FA awards to Core applicants require the award recipient to secure a dollar-for-dollar match of non-federal funds. The form of the matching funds determines the form of the FA award; the match may be in the form of loans, grants, equity investments, deposits, and credit union shares. The match requirement enables CDFIs to multiply the impact of federal investment to meet the demand for affordable financial products in the communities they serve.

FA awards to SECA applicants are made in the form of grants, and although they also include a matching requirement, Congress typically waives this requirement in its annual appropriations measures.

CDFIs may use FA awards for a wide range of purposes—for example, to finance businesses and the development of affordable housing, commercial real estate, and community facilities; to support community-based social service organizations; and to provide mortgages, basic banking services, and financial literacy training to people in underserved communities.

TA Awards: To be eligible for a TA award, an organization must be a certified, certifiable, or emerging CDFI. Certifiable and emerging CDFIs must demonstrate that they have the ability to become certified within three years of receiving a TA award.

TA awards are made in the form of grants and do not have a matching funds requirement. Award recipients can use the awards to purchase equipment, to hire consulting or contracting services, to pay salaries and benefits, to train staff or board members, and to support other capacity-building activities.

TA award recipients often use the funds to analyze their target markets, develop lending policies and procedures, and to build staff lending capacity. More established CDFIs also use TA grants 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.

HFFI-FA Awards: In FY 2011, the CDFI Fund launched the Healthy Food Financing Initiative (HFFI), and through the CDFI Program, the agency provides HFFI-FA awards to support a wide range of activities that expand access to healthy foods in low-income communities.
CDFIs that are selected to receive an FA award through the CDFI Program are also eligible to receive an HFFI-FA award. The CDFI must submit a separate application for the HFFI-FA award.

HFFI-FA awards are made in the form of grants, and although they include a matching requirement. However, since FY 2011 Congress has regularly waived this requirement in its annual appropriations measures.

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. Award recipients often use the funds to increase the distribution of agricultural products, to develop and equip grocery stores, and to strengthen producer-to-consumer relationships.

DF-FA Awards: The Consolidated Appropriations Act of 2017 (P.L. 115-31) and the Consolidated Appropriations Act of 2018 each provided the CDFI Fund up to $3 million (for a total of $6 million) to provide “technical and financial assistance to CDFIs that fund projects to help individuals with disabilities.”

In response to these Congressional directives, the CDFI Fund began offering DF-FA awards under the FY 2018 rounds of the CDFI Program and the NACA Program. A total of $5 million was made available for DF-FA awards ($3 million of FY 2017 appropriations and $2 million of FY 2018 appropriations) and $1 million for the CDFI Fund’s Capacity Building Initiative to increase the capacity of CDFIs and other organizations to provide investments that benefit individuals with disabilities.

To be eligible for a DF-FA award, a CDFI must be selected to receive an FA award and must submit a separate DF-FA award application.

An applicant must have a demonstrated track record of serving individuals with disabilities, specifically by providing financial products and services and/or development services that have a primary purpose of benefiting individuals with disabilities.

PPC-FA Awards: The Consolidated Appropriations Act of 2018 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.

To be eligible for a PPC-FA award, a CDFI must submit an FA award application, indicate in that application its interest in applying for a PPC-FA award, and demonstrate a track record of serving PPCs and the ability to deploy the award in an Eligible Market in a PPC.

Awards since Inception
Since the inception of the CDFI Program in 1994, the CDFI Fund has completed 23 rounds of the program, and has awarded 2,574 FA awards, excluding the NACA Program, totaling $2.3 billion, 615 TA grants, including the NACA Program, totaling $51.3 million, 82 HFFI-FA awards totaling $157.3 million, 15 DF-FA awards totaling $5 million, and 170 PPC-FA awards totaling $ 38.2 million.

FY 2018 Activities

In FY 2018, the CDFI Fund conducted the FY 2018 award round of the CDFI Program. The CDFI Fund opened the round on January 31, 2018. The application period closed on April 4, 2018, and the CDFI Fund announced the awards on September 19, 2018.

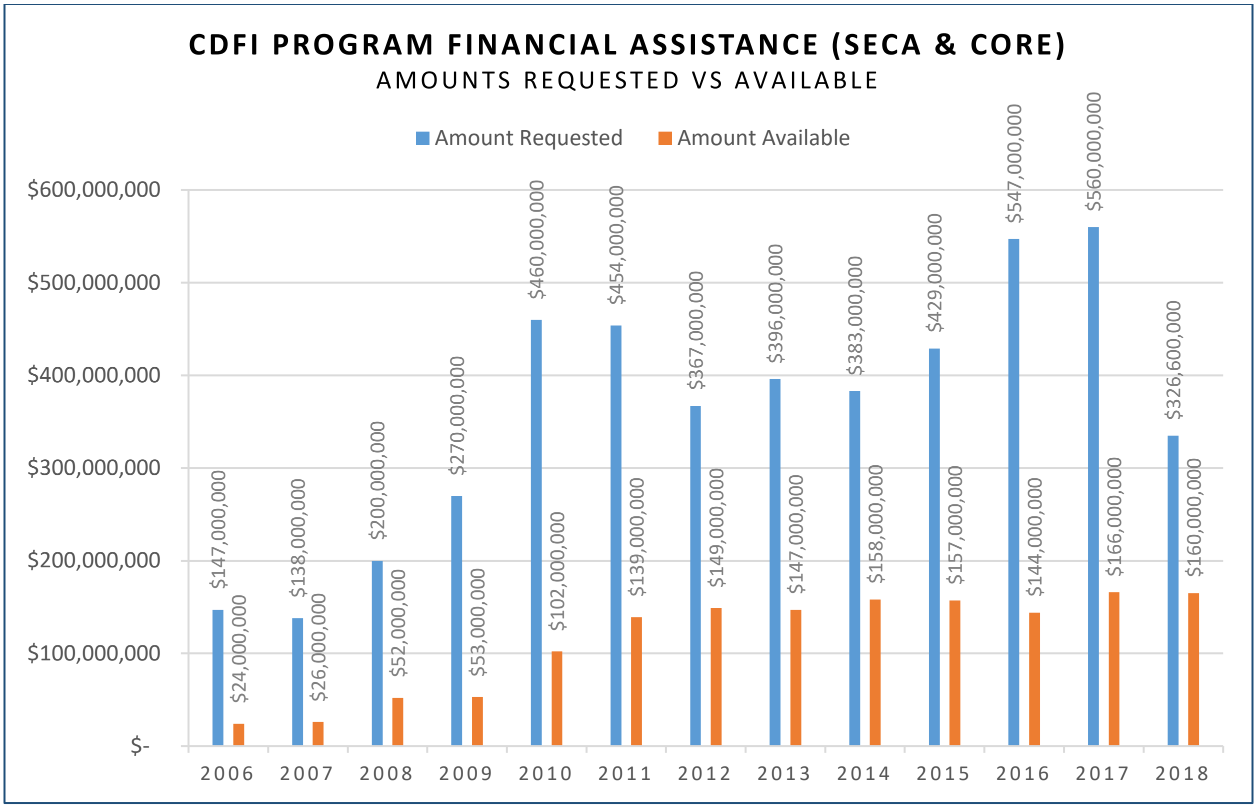
The demand for awards significantly exceeded the resources available for the awards:

- 432 organizations requested $334.9 million in FA[8] and TA awards; 264 organizations received $165 million in FA and TA awards
- 364 organizations requested $326.6 million in FA awards[9] (279 Core applicants requested $270.6 million and 85 SECA applicants requested $56 million)[10]; 221 organizations received $159.9 million in FA awards (164 Core applicants received $137.4 million awards and 57 SECA applicants received $22.5 million)
- 68 organizations requested nearly $8.3 million in TA awards; 43 organizations received $5.1 million in TA awards

The demand for HFFI-FA, DF-FA, and PPC-FA awards also exceeded the supply of resources:

- 20 organizations requested $75.3 million in HFFI-FA awards; 14 organizations received $22 million in HFFI-FA awards.
- 33 organizations requested $15.2 million in DF-FA awards; 15 organizations received $5 million in DF-FA awards.
- 146 organizations requested $41.2 million in PPC-FA awards; 80 organizations received $18 million in PPC-FA awards.

[8] This includes amounts requested for DF-FA and PPC-FA, but does not include amounts requested for HFFI-FA.
[9] This includes amounts requested for DF-FA and PPC-FA, but does not include amounts requested for HFFI-FA.
[10] Application demand decreased from FY 2017 due to the FA award request cap being reduced from $2 million to $1 million in FY 2018.



CDFI Program Impact

In FY 2018, CDFI Program award recipients reported originating loans or investments totaling over $11 billion based on their portfolio of activities in 2017. This includes, but is not limited to:

- $2 billion for 19,000 home improvement and purchase loans;
- $2 billion for 17,963 business and microenterprise loans;
- $3.4 billion for over 207,000 consumer loans;
- $1.3 billion for 2,800 residential real estate transactions;
- In addition, recipients financed over 33,600 affordable housing units; and
- Served more than 343,000 individuals with financial literacy or other training.

The FY 2018 performance results reported in the table below reflect program outcomes and activities for 2017 and are based on information entered into the CDFI Funds performance reporting system by CDFI Program award recipients.

Annual Performance Report of CDFI Program Award Recipients for FY 2018 (Based on Program Activities Reported in 2017)	
Lending and Investing Activity [11]	Amount
Amount of Total Loans/Investments Originated	**$11,152,704,192**
Number of Total Loans/Investments Originated	280,066
Business and Microenterprise Originations	**$2,082,684,593**
Number of Originations	17,963
Consumer Originations	**$3,459,307,869**
Number of Originations	207,657
Home Improvement and Home Purchase Originations	**$2,092,387,671**
Number of Originations	19,050
Residential Real Estate Originations	**$1,368,516,112**
Number of Originations	2,845
Commercial Real Estate Originations	**$1,676,391,890**
Number of Originations	2,225
All Other Originations	**$473,416,057**
Number of Originations	30,326
Affordable Housing Units Financed [12]	**33,613**
Rental Units	31,801
Owner Units	1,812
Businesses Financed [13]	**15,971**
Financial Access and Literacy [14]	
Open Individual Development Accounts	1,095
Dollars Saved in Individual Development Accounts	$1,874,739
Individuals Served By Financial Literacy or Other Training	343,471
Training provided by CDFI Award Recipients	325,708
Training provided by Other Entities contracted by CDFI Award Recipients	17,763

[11] Data is compiled from Institutional Level Reports (ILR) and Transactional Level Reports (TLR) reported by recipients. The data does not include NACA Program reporting which is separately tabulated below.
[12] Data is compiled from TLR reports
[13] Business Financed number reflects netting out businesses that received more than one loan, i.e. repeat business borrowers noted under business originations.
[14] Source: ILR reports.

CDFI Program cumulative impact data is reported in the table below for FY 2010 to FY 2018 based on recipients activities in 2009 to 2017.

Cumulative Performance Report of CDFI Program Award Recipients for FYs 2010 to 2018

(Based on Program Activities Reported from 2009 to 2017)

Lending and Investing Activity[15]	Amount
Amount of Total Loans/Investments Originated	**$32,015,508,099**
Number of Total Loans/Investments Originated	617,910
Business and Microenterprise Originations	**$7,002,697,707**
Number of Originations	113,116
Consumer Originations	**$4,647,488,264**
Number of Originations	358,609
Home Improvement and Home Purchase Originations	**$6,763,764,487**
Number of Originations	88,343
Residential Real Estate Originations	**$6,097,054,662**
Number of Originations	12,946
Commercial Real Estate Originations	**$5,240,723,582**
Number of Originations	7,487
All Other Originations	**$2,263,779,397**
Number of Originations	37,409
Affordable Housing Units Financed	**220,632**
Rental Units	203,056
Owner Units	17,577
Businesses Financed	**98,693**
Individuals Served By Financial Literacy or Other Training	**2,925,309**
Training provided by CDFI Award Recipients	2,600,436
Training provided by Other Entities contracted by CDFI Award Recipients	324,873

HFFI-FA Program Impact: Since the inception of the HFFI-FA program in 2011, HFFI-FA award recipients have reported 422 healthy food investments totaling $207 million. There were 205 retail investments totaling over $169 million that developed 2,770,200 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 217 non-retail investments totaling nearly $38 million in projects involving production and distribution, which developed over

[15] All data sources and qualifications are the same as the preceding table.

2,984,489 square feet of space for eligible healthy food activities. The HFFI Program's cumulative impact is derived from transactional reports by HFFI recipients.

HFFI-FA Program Cumulative Performance Report of Award Recipients for FY 2018 (Based on Program Activities Reported from 2012 to 2017)	
Amount of Total Loans/Investments Originated	**$207,479,850**
Number of Total Loans/Investments Originated	422
Number of Projects	327
Number of Award Recipients Reported	31
HFFI Retail Investments	
Amount of Retail Loans/Investments	$169,515,055
Number of Retail Loans/Investments	205
Number of Retail Projects	145
HFFI Non-Retail Investments	
Amount of Non-Retail Loans/Investments	$37,964,794
Number of Non-Retail Loans/Investments	217
Number of Non-Retail Projects	182
HFFI Square Footage - Project Level	
Square Footage of New Retail Healthy Food Outlets	2,770,200
Square Footage of New Non-Retail Healthy Food Outlets	2,984,489

Native Initiatives

The Native Initiatives program was launched in 2001 to help Native Communities grow by increasing their access to credit, capital, and financial services.

How it Works

Purpose

The origin of the Native Initiatives dates back to the Riegle Act, when Congress mandated, through the CDFI Fund's authorizing statute, a study on lending and investment practices in Native Communities. The CDFI Fund conducted the study from 1999 to 2000, and in 2001 published the Native American Lending Study.

The study reported that Native Communities face a number of unique challenges to economic growth, including higher barriers to accessing capital and basic financial services, and increased difficulty interacting with private and public sector programs. The study affirmed the importance of developing Native CDFIs—CDFIs that specialize in serving Native Communities—to play a key role in the broader effort to lead Native Communities into the nation’s economic mainstream.

The study led to the formation of the CDFI Fund’s Native Initiatives. The program’s purpose is to generate economic opportunity in Native Communities—defined as Native American, Alaska Native, and Native Hawaiian communities—by supporting the creation and expansion of Native CDFIs through the Native American CDFI Assistance Program (NACA Program).

The NACA Program is very similar to the CDFI Program. Like the CDFI Program, it provides Financial Assistance (FA) awards, Technical Assistance (TA) awards, and Persistent Poverty Counties-FA (PPC-FA) awards to expand the capacity of CDFIs. However, the NACA Program focuses entirely on serving Native CDFIs.

By building and strengthening Native CDFIs, the NACA Program helps these community-based organizations increase access to credit, capital, and financial services in their communities, which in turn creates jobs, develops affordable housing, and provides opportunities for Native American, Alaska Native, and Native Hawaiian people to obtain appropriate financial services and counseling.

Award Process

The NACA Program has similar components to the CDFI Program: FA awards, TA awards, and PPC-FA awards, but with a focus on Native CDFIs. An overview of the award types may be found in the CDFI Program discussion; details specific to the NACA Program’s FA and TA awards are below:

FA Awards: NACA FA awards require a dollar-for-dollar match from non-federal funds, and the form of the matching funds determines the form of the FA award. Although the NACA FA awards include a matching requirement, Congress has historically waived this requirement in its annual appropriations measures.

To be eligible for an FA award through the NACA Program, an organization must be a certified or certifiable CDFI. It also must have a Target Market of a Native Community and must ensure that at least 50 percent of its activities serve Native American, Alaska Native, and/or Native Hawaiian communities.

TA Awards: Four types of organizations are eligible to apply for a TA award through the NACA Program: certified CDFIs, certifiable CDFIs, emerging CDFIs, and sponsoring entities (organizations primarily serving Native Communities that propose to create a separate certified CDFI). Certifiable and emerging CDFIs must demonstrate the ability to become a certified CDFI within three years of receiving a TA grant. Sponsoring entities must demonstrate the ability to create a new entity that will become a certified Native CDFI within four years of receiving an award.

For more information about the awards process and all of the award types available, please see the CDFI Program discussion.

Awards since Inception

Since the inception of the NACA Program in 2001, the CDFI Fund has completed 17 rounds of the program, and has awarded 507 FA awards totaling $173 million, and PPC-FA awards totaling nearly $3.5 million.

FY 2018 Activities

In FY 2018, the CDFI Fund conducted the FY 2018 award round of the NACA Program. The CDFI Fund opened the round on January 31, 2018, and announced the awards on September 19, 2018.

The demand for awards significantly exceeded the resources available for the awards:

- 53 organizations requested $33.7 million in FA[16] and TA awards; 38 organizations received $15.1 million in FA and TA awards.
- 35 organizations requested $31.1 million in FA awards; 26 organizations received $13.4 million in FA awards.
- 18 organizations requested nearly $2.6 million in TA awards; 12 organizations received $1.7 million in TA awards.
- 16 organizations requested $4.2 million in PPC-FA awards; 9 organizations received $1.6 million in PPC-FA awards.

[16] This includes amounts requested for PPC-FA.

NACA Program Impact

Since the NACA Program was launched in 2001, the CDFI Fund has provided more than $173 million in FA and TA awards through the program. Those funds have helped build a nationwide network of certified Native CDFIs:

- In 2001, the number of Native CDFIs totaled 14.
- As of the end of FY 2018, the number of certified Native CDFIs totaled 73.

The performance results reported by NACA Program award recipients in FY 2018 show that Native CDFIs originated over 4,000 loans or investments totaling $75.5 million based on their portfolio of activities in 2017, including nearly $46.8 million in business and microenterprise loans, $7.5 million in consumer loans, and $16.8 million in home improvement and home purchase loans. In addition, NACA Program award recipients provided financial literacy training to 17,296 individuals and set up 1,315 Individual Development Accounts.

The Native Initiatives program is generating economic opportunity and fostering economic self-determination in Native Communities nationwide. The table below demonstrates the cumulative impact of NACA recipient activities from FY 2010 to FY 2018.

Cumulative Performance Report of NACA Program Award Recipients for FYs 2010 to 2018
(Based on Program Activities Reported from 2009 to 2017)

Lending and Investing Activity [17]	Amount
Amount of Total Loans/Investments Originated	**$619,338,822**
Number of Total Loans/Investments Originated	26,948
Business and Microenterprise Originations	**$312,586,949**
Number of Originations	2,120
Consumer Originations	**$59,032,423**
Number of Originations	19,498
Home Improvement and Home Purchase Originations	**$117,344,349**
Number of Originations	1,746
Residential Real Estate Originations	**$7,305,019**
Number of Originations	64
Commercial Real Estate Originations	**$5,315,532**
Number of Originations	23
All Other Originations	**$117,754,550**

[17] All data sources and qualifications are the same as the above impact tables.

Number of Originations	3,497
Affordable Housing Units Financed	**138**
Rental Units	126
Owner Units	12
Businesses Financed	**1,604**
Individuals Served By Financial Literacy or Other Training	**173,761**
Training provided by CDFI Award Recipients	148,208
Training provided by Other Entities contracted by CDFI Award Recipients	25,553

New Markets Tax Credit Program

The New Markets Tax Credit Program (NMTC Program) was established by Congress in 2000 to attract private investment to underserved communities by offering a tax credit to investors.

How it Works

Purpose

One of the most significant obstacles to economic development that low-income communities face is the lack of access to private investment capital. The NMTC Program is designed to attract new private investment to businesses located in Low-Income Communities (defined as population census tracts with at least 20 percent poverty or 80 percent or less of the median family income) or businesses that are owned by, employ, or serve Targeted Populations.

The NMTC Program attracts private investment by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making Qualified Equity Investments (QEIs) in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount; the investor claims the credit over a period of seven years.

Congress authorized the NMTC Program under the Community Renewal Tax Relief Act of 2000 (P.L. 106-554), which included $15 billion in allocation authority for seven years. Since then, the NMTC Program has been reauthorized six times. Most recently, the Protecting Americans from Tax Hikes Act of 2015 (P.L. 114-113) extended authorization of the program for five calendar years (CY 2015 through CY 2019) with $3.5 billion in annual NMTC allocation authority.

Award Process

The CDFI Fund allocates tax credits to certified CDEs through a competitive application process. If successful, the CDE has five years to offer the tax credits to investors in exchange for qualified equity investments or QEIs.

A CDE has 12 months to invest "substantially all" of the proceeds from the QEIs into Qualified Low Income Community Investments (QLICIs). The proceeds must be used to make loans or equity investments in qualified businesses or CDEs, to purchase qualifying loans originated by other CDEs, or financial counseling to businesses located in low-income communities.

Awards since Inception

Since the inception of the NMTC Program in 2000, the CDFI Fund has completed 14 allocation rounds and has made 1,105 awards totaling $54 billion in tax allocation authority. This includes $3 billion in Recovery Act Awards and $1 billion of special allocation authority used for the recovery and redevelopment of the Gulf Opportunity Zone.

FY 2018 Activities

In FY 2018, the CDFI Fund completed the CY 2017 round of the NMTC Program and opened the CY 2018 round.

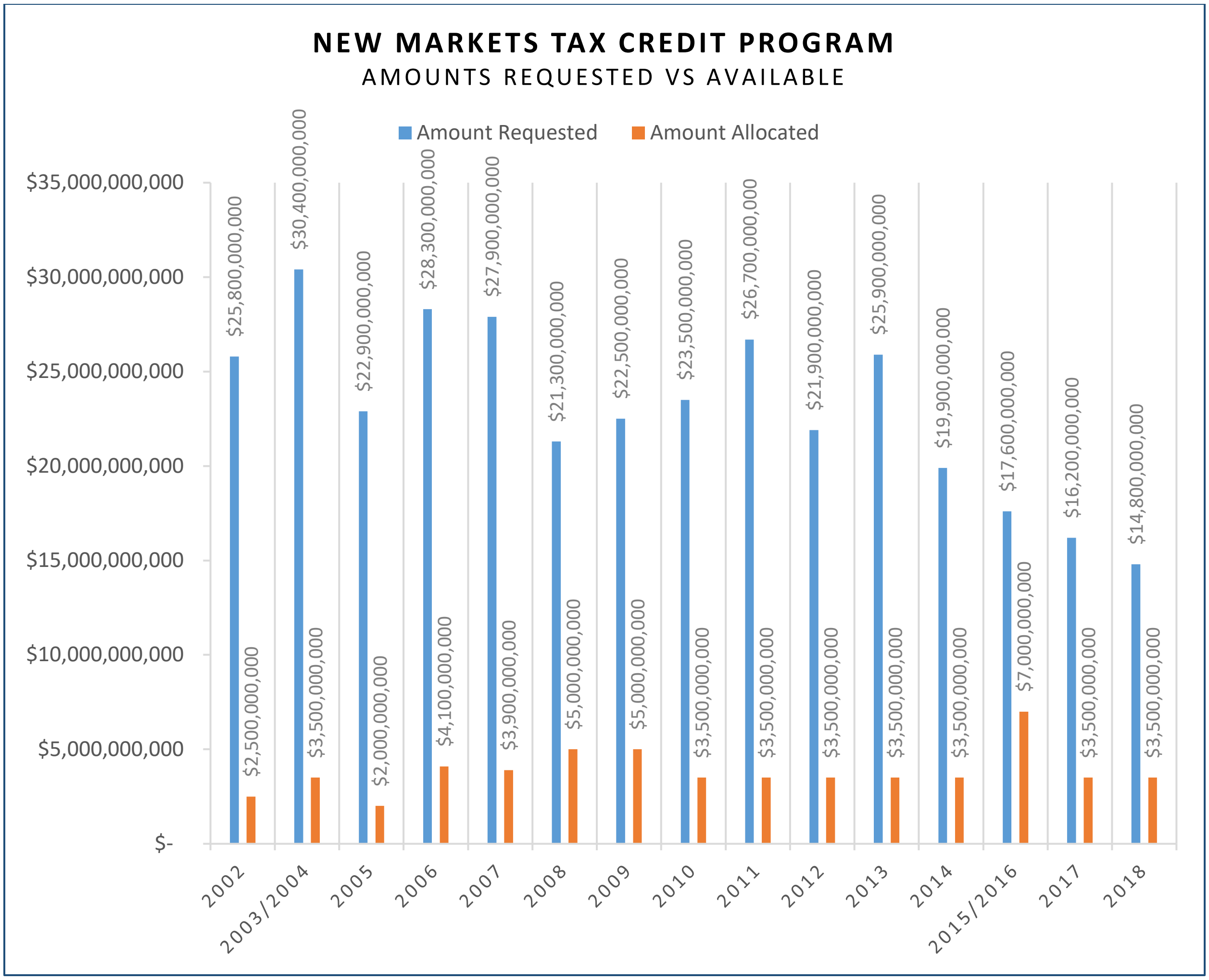
The CDFI Fund opened the CY 2017 round on May 17, 2017, and announced the awards on February 13, 2018. The demand for NMTC allocation authority significantly exceeded the tax credits available during the round:

- 230 CDEs submitted applications requesting $16.2 billion in tax credit allocation authority.
- 73 CDEs received $3.5 billion in tax credit allocation authority.

The 73 award recipients are headquartered in 29 states, Guam, and the District of Columbia. It is estimated that these award recipients will make more than $685 million in New Markets Tax Credit investments in nonmetropolitan counties.

The CDFI Fund opened the CY 2018 round of the NMTC Program on May 9, 2018. The application deadline was June 28, 2018.

On August 8, 2018, the CDFI Fund announced it had received applications from 214 CDEs in 43 states, the District of Columbia, and Puerto Rico requesting an aggregate total of $14.8 billion in NMTC allocation authority. The CDFI Fund will announce awards in winter 2019.



NMTC Program Impact

The CDFI Fund has awarded a total of $54 billion to CDEs through the NMTC Program. As of September 30, 2018, allocation recipients had reported raising QEIs totaling more than $50.6 billion.

In FY 2018, allocation recipients reported making over $3.9 billion of loans and investments in Qualified Low Income Community Investments (QALICIs), as shown in the table below. In addition, these investments are estimated to have created 9,415 jobs and funded 29,821 construction-related jobs.

Of these investments, 38 percent of the dollars invested were invested in “real estate QALICBs” (i.e., businesses that develop or lease real property for use by others), 63 percent of the dollars were invested in “non-real estate QALICBs” (i.e., operating businesses) in low-income communities, and the remaining investments were direct investments into other CDEs. Since the inception of the program allocations recipients have reported making $48.6 billion in cumulative qualified low-income community investments, which have created nearly 305,000 jobs and over 495,000 construction jobs.

FY 2018 Annual & Cumulative Performance Report of NMTC Program Allocation Recipients		
	Annual Performance[18]	**Cumulative Performance**[19]
Total Qualified Low-Income Community Investments (QLICI)	**$3,993,168,554**	**$48,630,715,550**
Number of QLICI (TOTAL)	1,374	13,976
Real Estate Activity	**$1,430,438,216**	**$23,422,382,650**
Number of QLICI (RE)	443	5,937
Non-Real Estate Activity	**$2,528,930,338**	**$24,325,057,741**
Number of QLICI (NRE)	918	7,778
Loans/Investments Made to Other CDEs	**$33,800,000**	**$883,275,159**
Number of QLICI (CDE)	13	261
Percent in Distressed Area	**73.58%**	**74.74%**
Jobs at Reporting Period End	**9,415**	**304,828**
Projected Construction Jobs	**29,821**	**495,378**
Affordable Housing Units Financed	**470**	**14,839**
Owner Units	285	6,548
Rental Units	185	8,291
Square Feet of Commercial Real Estate	**12,493,633**	**205,289,336**
Office	4,288,700	89,357,584
Retail	1,807,853	65,095,122
Manufacturing	6,397,080	50,836,630
Businesses Financed	**680**	**6,619**
Financial Counseling and Other Services		
Total Investments	$2,096,081	$39,133,617
Number of Businesses Served	9,784	78,622

[18] Based on Program Activities Reported in FY 2018.
[19] Based on Program Activities Reported in 2003-2018.

The NMTC Program catalyzes investment where investment is needed most. Nearly 75 percent of NMTC investments have been made in highly distressed areas. These are communities with low median incomes and high rates of unemployment, and the NMTC investments are helping to transform them into places of opportunity.

ADMINISTRATIVE DISCUSSION AND ANALYSIS
The Community Development Financial Institutions Fund

Initiatives to Maximize Performance

In addition to administering its six programs discussed above in FY 2018, the CDFI Fund undertook several significant administrative initiatives to maximize the agency's performance, efficiency, and program results:

- Implementing the Awards Management Information System.
- Developing the CDFI Program Assessment and Risk Management Framework.
- Supporting the IRS in its designation of Opportunity Zones.
- Enhancing compliance monitoring and evaluation.

Implementing AMIS

To improve the quality of its data, decision-making, and delivery of program resources, the CDFI Fund has developed the new Awards Management Information System (AMIS) to replace its legacy business systems.

AMIS is a cloud-based, enterprise-wide business platform. Once it is fully implemented, AMIS will support all CDFI Fund programs through each phase of a program's life cycle, including certification, program awards and allocations, data analysis, and reporting.

The CDFI Fund launched the AMIS portal in 2015 and continues to expand the implementation of the platform. As of the end of FY 2018, the CDFI Fund has integrated the CDFI Program, NACA Program, BEA Program, NMTC Program, and CMF program, including most post-award compliance, into AMIS. Applicants will use AMIS to apply for the CDFI Bond Guarantee Program beginning with the FY 2019 round.

The CDFI Fund retired its Community Investment Impact System (CIIS). As of September 1, 2018, all recipients of awards from the CDFI Fund will submit their Institutional Level Reports and Transactional Level Reports in AMIS, which offer users an improved experience for completing and submitting compliance reporting and monitoring activities.

Finally, AMIS supports the CDFI Fund's CDE certification process and will include CDFI certification on November 1, 2018.

Developing the ARM Framework

The CDFI Fund continued its development of the CDFI Program Assessment and Risk Management Framework (ARM Framework).

The ARM Framework is a suite of six tools that the CDFI Fund will use to assess the financial and programmatic risk of CDFI Program applicants and award recipients, enhance data-driven decision-making, and mitigate post-award compliance reporting risks.

The development of the ARM Framework began in 2015. Due to the expiration of the prior contract, the CDFI Fund conducted a procurement during FY 2018 and awarded a new contract in July 2018. The full suite of tools will be implemented by the end of FY 2020 and will support the needs of multiple CDFI Fund business units.

Supporting the Designation of Opportunity Zones

The 2017 Tax Cut and Jobs Act created Opportunity Zones, an economic development tool designed to spur investment in distressed communities by providing tax benefits for investors to reinvest capital gains in Qualified Opportunity Funds. For a locality to qualify as an Opportunity Zone, it had to be nominated for that designation by the chief executive officer of a state – this includes the District of Columbia and any possession of the United States – and its nomination had to be certified by the Secretary of the U.S. Department of the Treasury, and designated as an Opportunity Zone.

In FY 2018, the CDFI Fund entered into an Interagency Agreement with the Internal Revenue Service (IRS) to support the designation process of Opportunity Zones submitted by the nation's governors. The governors were permitted to identify and nominate no more than 25 percent of the low-income communities (as defined by NMTC Program regulations) in their state or equivalent.

CDFI Fund staff created the nomination tool for the governors, processed the nominations, and prepared materials for the IRS's designation of the Opportunity Zones. All of this was required within 90 days of the enactment of the law. By mid-June 2018, more than 8,700 Opportunity Zones had been designated in all 50 states, the District of Columbia, and all of the territories.

Enhancing Compliance Monitoring and Evaluation

Compliance monitoring is an essential part of the CDFI Fund's operations. The agency recognizes the importance of ensuring that each dollar of appropriations it receives is used in ways that advance the public interest and support the CDFI Fund's mission.

In FY 2018, 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, CDFI Bond Guarantee Program, and the CMF Program. Although not all of these enhancements will be visible to the public, they will improve the experience of our award recipients, while allowing the compliance staff to focus on deeper compliance analysis.

The CDFI Fund will continue to make enhancements to compliance monitoring and evaluation, including automated compliance status determinations and automated processing in cases of non-reporting.

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 2018 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2018, and a discussion of the CDFI Fund's financial position and results of operations during the 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 the Fiscal Service (Fiscal) in Parkersburg, West Virginia. While Fiscal 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 Fiscal 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 Financial 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 2018 Financial Statement Audit

The FY 2018 audit of the CDFI Fund's financial statements resulted in an unmodified opinion.

FY 2018 Financial Management Oversight

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)
Our FY 2018 Payment Integrity reporting includes information required by the *Improper Payments Information Act of 2002* (IPIA), as amended by IPERA of 2010 and *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in the Federal Government*, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement* and OMB Circular A-136.   During FY 2018, CDFI performed risk assessments and a payment recapture audit in accordance with the Treasury IPERIA Guidance and Implementation plan.

Management Responsibilities

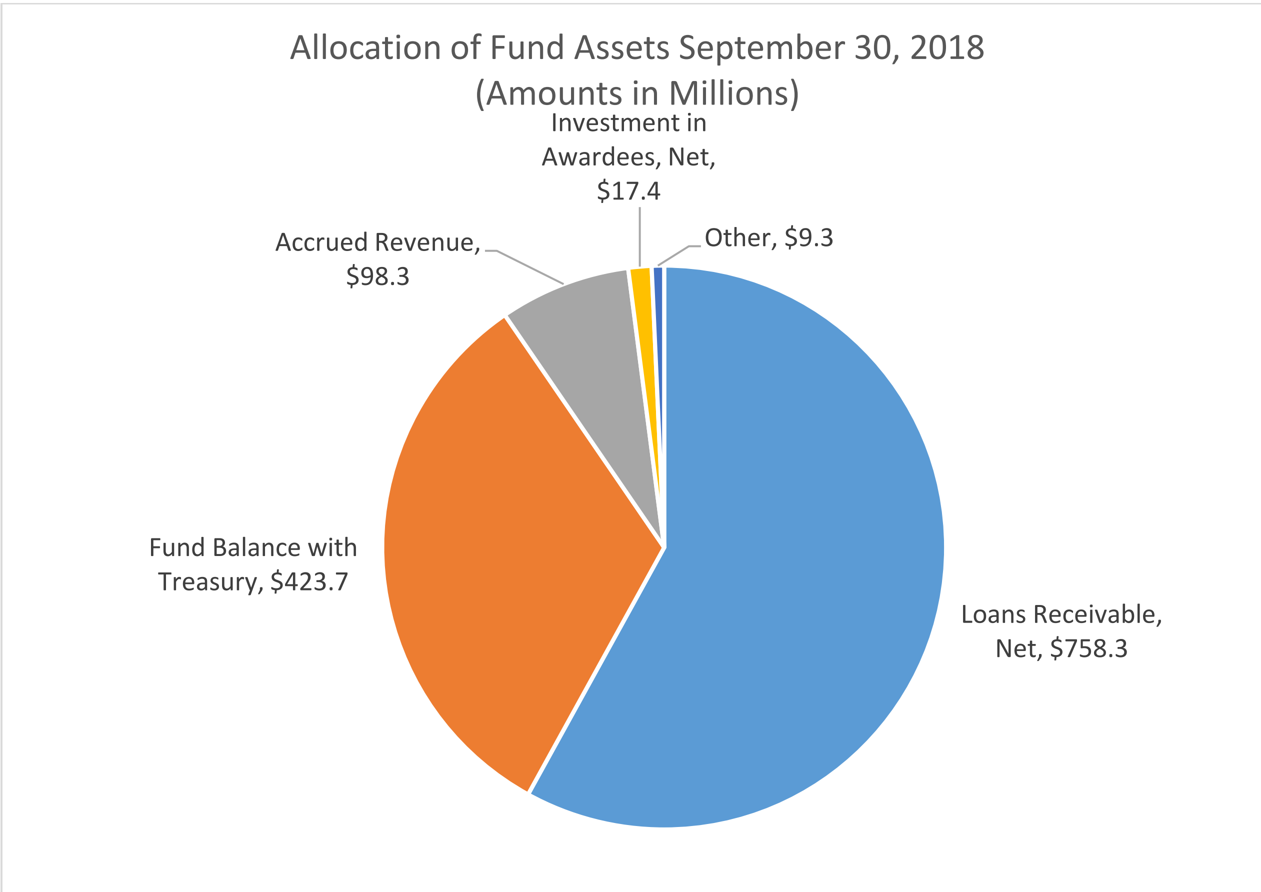
CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. Management is also responsible for the fair presentation of the CDFI Fund's 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.

Analysis of Financial Position and Results of Operations

Summarized Financial Data
(Amounts in Millions)

	FY 2018	FY 2017	Increase
Total Assets	$1,307.0	$1,080.7	$226.3
Total Liabilities	$787.5	$588.8	$198.7
Total Net Position	$519.5	$491.8	$27.7
Total Revenue and Financing	$437.7	$357.3	$80.4
Total Expenses	$399.6	$336.0	$63.6
Net Income	$38.1	$21.3	$16.8

Allocation of Fund Assets September 30, 2018



Assets

Assets increased by $226.3 million during FY 2018. Loans receivable increased $204.9 million due to new loans issued in FY 2018 under the CDFI Bond Guarantee Program and the CDFI FA Program. Accrued Revenue increased by $18.8 million due to an increase in the accrual of fees from the Government Sponsored Enterprise (GSE). GSE fees owed to the CDFI Fund will be paid in 2019 to fund the Capital Magnet Fund. Other assets increased $2.9 million due to an increase in internal-use software.

Loans Receivable
Loans receivable is 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 2018, net loans increased by $204.9 million resulting from new loans of $230.1 million and an increase of $0.6 million due to the change in Allowance for Doubtful Accounts. This is offset by BGP and Direct Loan principal repayments from recipients of $25.5 million and a loan write-off of $0.3 million.

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

- Non-voting equity securities - $14.0 million
- Convertible subordinated debt - $0.7 million
- Limited partnerships - $0.5 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. Two investments totaling $168,833 and one investment totaling $132,230 at September 30, 2018 and 2017, respectively, were determined to be other-than-temporarily impaired and were written down at the end of those fiscal years.

Accrued Revenue
Accrued revenue reflects an $18.8 million increase in projected collections of GSE fees. Starting in FY 2018 the CDFI Fund accrual is no longer being reduced for the portion of the GSE fees previously allocated for the HOPE for Homeowners Program.

Liabilities

The increase in liabilities during the year of $198.7 million was primarily attributable to an increase in debt of $217.3 million, as further discussed below, partially offset by a decrease in awards payable of $18.8 million.

Debt
During FY 2018, the CDFI Fund borrowed $235.0 million to issue new loans, $6.3 million to fund a downward subsidy re-estimate, and $2.4 million to meet annual interest payments to Treasury at interest rates ranging from 1.92% to 6.36%, depending on maturity dates or risk categories. The CDFI Fund's debt was reduced by repayments of BGP principal, upward subsidy re-estimates, repayments of Direct Loan debt, and repayments of prior year cash balances brought forward to Treasury totaling $26.4 million. Principal repayments collected from recipient's loans during the year are used to repay the Treasury borrowings, therefore, amounts collected and repaid to Treasury each year will vary.

Awards Payable

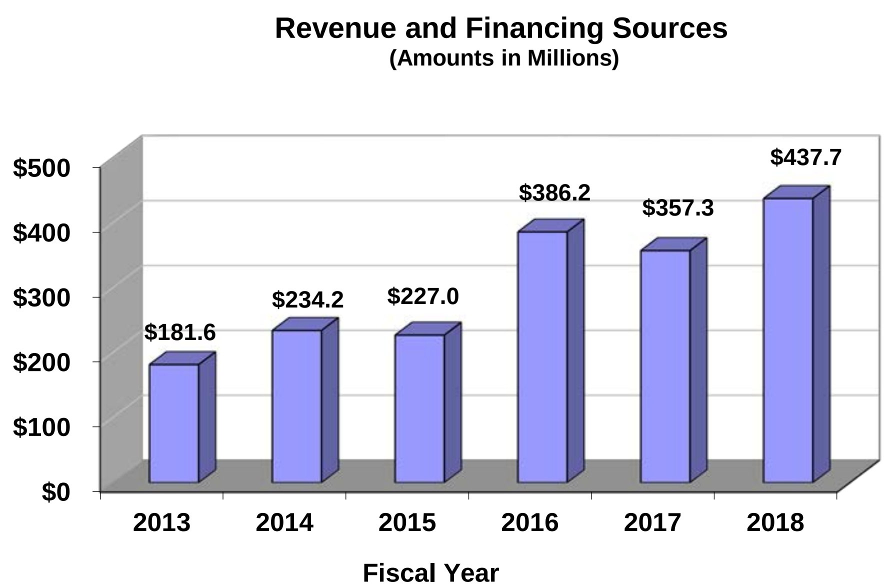
The decrease in awards payable reflects the timing of the Bank Enterprise Award (BEA) Program award funding round. In September of FY 2017, the BEA's 2016 funding round was announced in the amount $18.8 million. A liability was incurred as the BEA recipients had met the conditions required for payment. The BEA's 2017 funding round was announced and paid in 2018. As of September 30, 2018, the BEA program had not announced their 2018 funding round, therefore no liability was incurred.

Net Position

Net position increased during the year by $27.7 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; and 2) net income. During FY 2018, appropriations received and appropriations for subsidy re-estimate (net of amounts cancelled, rescinded and downward subsidy re-estimate) were $239.2 million, and appropriations used was $249.7 million resulting in a decrease in net position of $10.5 million. This decrease in net position was increased by the $38.1 million gain recorded by the CDFI Fund in FY 2018, which is primarily attributable to the 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 $2.3 million loss is mainly attributed to the net interest revenue and interest expense.

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 Statements of Operations). Consistent with 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 is the GSE fees accrued, collected, and subsequently disbursed (reported as an expense).



Expenses

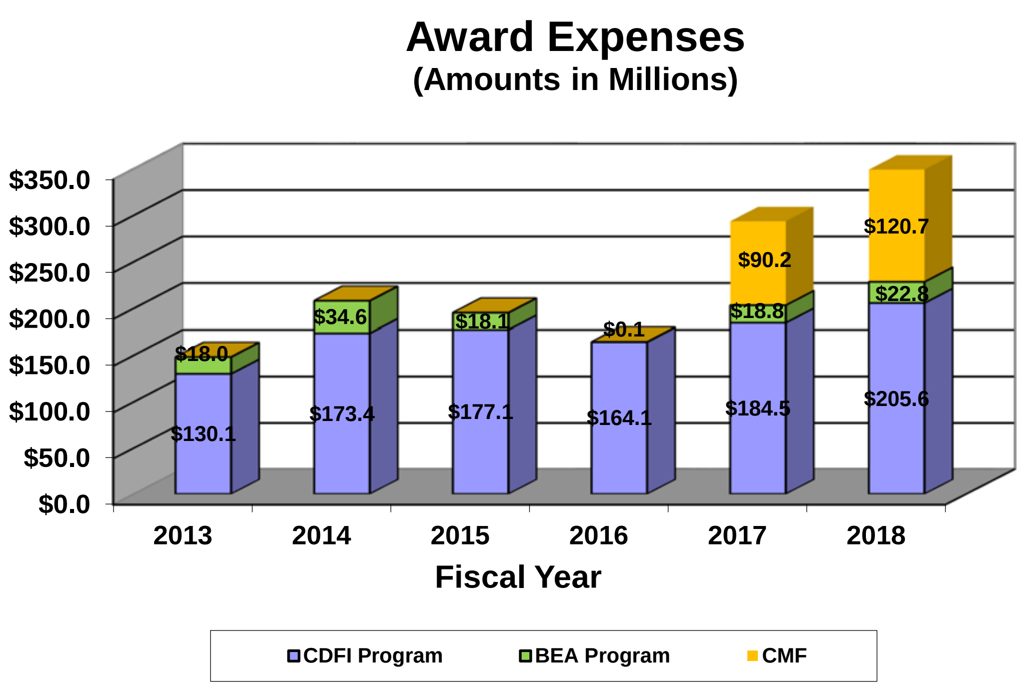
The change in the CDFI Fund's operating expenses, during FY 2018 consisted of the following:

Comparison of Operating Expenses Excluding Administrative Expenses Paid by Others Fiscal Years 2018 and 2017 (Amounts in Millions)

	FY 2018	FY 2017	Difference
Award Expenses	$349.1	$293.5	$55.6
Administrative Expenses	$24.8	$25.5	($0.7)
Bad Debt Expense	($.2)	($1.2)	$1.0
Total Operating Expenses	$373.7	$317.8	$55.9

Award Expenses

Award expenses during the year increased $55.6 million. Of this total, CDFI Program award expenses increased $21.1 million, BEA award expenses increased $4.0 million, and CMF award expenses increased $30.5 million. The CDFI Program increase was due to more payments disbursed in FY 2018 than FY 2017. The CDFI Program incurs expenses when awardees have met the conditions required for payment. The CMF and BEA Programs increased due to the change in award funding round size.



Administrative Expenses

Administrative expenses decreased by $0.7 million during FY 2018. This decrease was primarily due to a $1.0 million decrease in contractual services with external parties.

Bad Debt Expense

Bad debt expense is a function of the impairment related to loans receivable at the end of the fiscal year, including the impact of certain loan restructurings that may have occurred during the year. The loan loss allowance is calculated by estimating individual incurred loss rates for each loan within the CDFI FA portfolio. The loss rate is based on the borrower's most recent Adjusted Asset to Liability Ratio available from financial statements or publicly available 990 filings provided to the IRS. The calculation then maps the Adjusted Asset to Liability Ratio to a Standard and Poor's default rating which is used as a loss rate for the loan.

Bad debt expense increased by $1.0 million for the loan impairment recorded at the end of FY 2018 compared to FY 2017. As the Secretary of the Treasury issues guarantees the full amount of bond issues to support BGP loans, CDFI does not bear any BGP loan defaults and, therefore, 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 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 2018, other income and expense totaled $24.9 million, consisting of interest expense for Treasury borrowings. Interest and dividend income totaled $22.6 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, 2018 and 2017, 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. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 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

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, 2018 and 2017, 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, Overview, Program Discussion and Analysis, Administrative 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*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2018, 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.

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 under *Government Auditing Standards* or OMB Bulletin No. 19-01.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDFI Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, District of Columbia
November 13, 2018

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2018 and September 30, 2017

		2018		2017
Assets				
Fund Balance with Treasury (Note 4)	$	*423,732,593*	$	*423,522,192*
Loans Receivable, Net of Allowance for Bad Debt (Note 5)		*758,251,018*		*553,398,138*
Investments, Amortized Cost (Note 6)		*2,899,484*		*2,831,245*
Investments, Cost Method (Note 8)		*13,973,686*		*14,142,519*
Investments, Equity Method (Note 9)		*523,613*		*867,896*
Accrued Revenue (Note 14)		*98,300,000*		*79,500,000*
Internal-use Software, Net of Accumulated Amortization		*8,364,325*		*5,516,397*
Other Assets		*939,182*		*891,020*
Total Assets	$	*1,306,983,901*	$	*1,080,669,407*
Liabilities and Net Position				
Accounts Payable	$	*1,489,615*	$	*1,372,213*
Awards Payable		*61,539*		*18,837,894*
Accrued Payroll		*460,259*		*479,705*
Accrued Annual Leave		*758,494*		*730,855*
Other Liabilities		*-*		*12,500*
Debt (Note 10)		*784,710,359*		*567,401,984*
Total Liabilities	$	*787,480,266*	$	*588,835,151*
Commitments and Contingencies (Note 11)				
Cumulative Results of Operations - All Other Funds	$	*2,825,966*	$	*6,414,702*
Cumulative Results of Operations - Capital Magnet Fund (Note 14)		*249,882,757*		*208,165,642*
Total Cumulative Results of Operations		*252,708,723*		*214,580,344*
Unexpended Appropriations (Note 12)		*266,794,912*		*277,253,912*
Total Net Position		*519,503,635*		*491,834,256*
Total Liabilities and Net Position	$	*1,306,983,901*	$	*1,080,669,407*

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

Community Development Financial Institutions Fund
Statements of Operations and Changes in Net Position
For the Years Ended September 30, 2018 and September 30, 2017

		2018		2017
Revenue and Financing Sources:				
Appropriations	$	249,656,049	$	225,086,862
Imputed Other Income (Note 13)		907,046		685,791
Interest, Non-Federal		17,474,854		11,990,371
Interest, Federal		5,036,155		3,528,506
Dividends		131,142		110,887
Government Sponsored Enterprise Fees (Note 14)		163,716,610		115,413,318
Other		747,770		414,787
Equity in Gain of Associates, Net		1,137		118,855
Total Revenue and Financing Sources		437,670,763		357,349,377
Expenses:				
CDFI Grants	$	205,576,169	$	184,403,577
BEA Grants		22,787,205		18,837,844
CMF Grants		120,743,656		90,222,163
Administrative Expenses (Note 15)		24,843,012		25,513,444
Reduction of Bad Debt Expense		(238,967)		(1,161,558)
Administrative Expenses Paid by Others (Note 13)		907,046		685,791
Total Operating Expenses		374,618,121		318,501,261
Other Income and Expenses				
Interest Expense, Federal		24,755,430		17,385,594
Impairment Losses		168,833		132,230
Total Expenses		399,542,384		336,019,085
Net Income	$	38,128,379	$	21,330,292
Cumulative Results of Operations, Beginning of Year	$	214,580,344	$	193,250,052
Net Income		38,128,379		21,330,292
Cumulative Results of Operations, End of Year	$	252,708,723	$	214,580,344

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

Community Development Financial Institutions Fund
Statements of Cash Flows
For the Years Ended September 30, 2018 and September 30, 2017

		2018		2017
Cash Flows from Operating Activities:				
Net Income	$	38,128,379	$	21,330,292
Adjustments to Reconcile Net Income to Net Cash Provided by/(used in) Operations:				
Impairment Losses		168,833		132,230
Equity in Gain of Associates		(1,137)		(118,855)
Amortization Expense		1,272,569		822,188
Accretion of Discount		(68,239)		(68,239)
Bad Debt Expense (Reduction)		(238,967)		(1,161,558)
Change in Assets and Liabilities:				
(Increase)/Decrease in Accrued Revenue		(18,800,000)		4,000,000
Increase in Accounts Payable, Accrued Payroll, & Other Liabilities		85,456		209,177
(Decrease)/Increase in Awards Payable		(18,776,355)		17,227,869
Increase/(Decrease) in Accrued Annual Leave		27,639		(2,648)
(Increase) in Other Assets		(48,162)		(370,504)
Net Cash Provided by Operating Activities		1,750,016		41,999,952
Cash Flows from Investing Activities:				
Loans Disbursed	$	(230,131,587)	$	(174,564,071)
Collection of Loan Principal		25,507,726		16,332,515
Proceeds from Disposition of Investments		-		51,502
Proceeds from Distribution from Investments		345,420		-
Purchases of Internal-use Software		(4,120,497)		(2,095,316)
Recovery of Loan Written Off in Current Year		9,948		-
Net Cash used in Investing Activities		(208,388,990)		(160,275,370)
Cash Flows from Financing Activities:				
Increase/(Decrease) in Unexpended Appropriations, Net	$	(10,459,000)	$	4,393,527
Borrowings from Federal Financing Bank		222,506,584		172,229,542
Repayments to Federal Financing Bank		(17,649,231)		(8,913,817)
Borrowings from Treasury		21,222,937		15,366,543
Repayments to Treasury		(8,771,915)		(8,175,412)
Net Cash Provided by Financing Activities		206,849,375		174,900,383
Net Change in Fund Balance with Treasury		210,401		56,624,965
Fund Balance with Treasury, Beginning of Year		423,522,192		366,897,227
Fund Balance with Treasury, End of Year	$	423,732,593	$	423,522,192

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

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2018 and 2017

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

The major programs operated by the CDFI Fund are the Community Development Financial Institutions Program (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.

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 Native CDFIs that serve primarily Native American, Alaska Native, and Native Hawaiian communities.

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.

The Capital Magnet Fund (CMF) provides competitively awarded grants to CDFIs and qualified non-profit housing organizations. These awards can be used to finance affordable housing activities, as well as related economic development activities (including community service facilities). Award recipients 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 (BGP) 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.

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

(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, 2018 and 2017, 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.

(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. Statements of Federal Financial Accounting Standards (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 follows the full accrual basis of accounting under which revenues are recognized when earned and expenses recognized when 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 fees from Government Sponsored Entities (GSEs), comprised of Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac).

(c) Fund Balance with Treasury

The CDFI Fund does not maintain cash in commercial bank accounts. The Department of the Treasury processes cash receipts and disbursements. Fund Balance with Treasury is composed of appropriated and borrowed funds (program and financing accounts) that are available to pay liabilities and finance authorized award and purchase commitments. Also included are restricted funds from the GSE's 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 BGP 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 2018 and 2017, the CDFI Fund received zero and one request, respectively from an awardee requesting an extension of their maturity date. This request was 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, *Receivables – Troubled Debt Restructuring by Creditors*, 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.

Common 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 or on impaired loans with a loss credit quality indicator.

(g) Accrued Revenue

Revenue is accrued in anticipation of collections fees from the GSEs to fund the Capital Magnet Fund. In FY 2018 $98.3 million was accrued for nine months of anticipated collections to be received in FY 2019. 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) reporting - recipients of awards from the CDFI Fund will submit their Institutional Level Reports and Transactional Level Reports in AMIS, which offer users an improved experience for completing and submitting compliance reporting and monitoring activities.

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, 2018 and 2017 was $1,272,569 and $822,188, respectively.

(i) Internal-Use Software in Development

Internal-use software in Development 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, *Leases*, 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 840-30, *Leases-Capital Leases*. Rent payments are recognized on a straight-line basis over the term of the lease.

(k) Awards Payable

CDFI and CMF Programs grant expenses 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. BEA Program grant expense is recognized and awards payable are recorded when the CDFI Fund approves the BEA award to be made (i.e. at the time the funds are obligated) 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, 2018 and 2017 was $1,168,969 and $1,231,519, 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, 2018 and 2017 was $403,450 and $414,429, 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, 2018 and 2017 was $11,320 and $0, respectively.

(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 (FFB) 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 FFB 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 FFB are made quarterly and semi-annually as collections are received by loan borrowers. See Note 10 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 financial and technical assistance 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 the GSEs, 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.

The CDFI Fund also receives Bond Guarantee Agency Administrative Fees from the Eligible CDFI’s, per the Small Business Jobs Act of 2010. Per statute, the fees are payable annually to the CDFI Fund on the amount of the unpaid principal balance of the bond issue. The Administrative Fees collected, recorded in Other on the Statements of Operations and Changes in Net Position, shall be used to reimburse the Department of the Treasury for any administrative costs incurred in implementing the CDFI Bond Guarantee Program.

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

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 November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230),* which requires an entity to include in its cash and cash-equivalent balances in the Statement of Cash Flows those amounts that are deemed to be restricted cash and restricted cash equivalents. A reconciliation between the Statement of Financial Position and the Statement of Cash Flows must be disclosed when the Statement of Financial Position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. An entity with a material balance of amounts generally described as restricted cash or restricted cash equivalents must disclose information about the nature of the restrictions. The new standard is effective for fiscal years beginning after December 15, 2018, accordingly, the CDFI Fund will implement the provisions of ASU 2016-18 as of October 1, 2019. The CDFI Fund is currently evaluating the impact of this ASU 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. This information includes 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. This methodology 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, accordingly, 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 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 an ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern and presentation of expense recognition in the statement of operations and changes in net position. The new standard is effective for fiscal years beginning after December 15, 2019, accordingly, the CDFI Fund will implement the provisions of ASU 2016-02 as of October 1, 2020. The CDFI Fund is currently negotiating terms of a new lease. The CDFI Fund is currently evaluating the impact the new lease will have on its financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments: Recognition and Measurement of Financial Assets and Liabilities (Subtopic 825-10)*, which requires equity investments (except those accounted for under the equity method of accounting) to be measured at fair value with changes in fair value recognized in net income. It requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans or receivables). The new standard is effective for fiscal years beginning after December 15, 2019, accordingly, the CDFI Fund will implement the provisions of ASU 2016-01 as of October 1, 2020. The CDFI Fund is currently evaluating the impact of this ASU on its financial statements.

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 this 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 fiscal years beginning after December 15, 2019. The CDFI Fund does not currently have any revenue contracts with customers. If future contracts arise the CDFI Fund will assess the impact of the new accounting standard on its financial statements.

(4) Fund Balance with Treasury

Fund Balance with Treasury (FBwT) as of September 30, 2018 and 2017 consisted of the following components:

	2018	**2017**
Available	$ 34,825,368	$ 33,816,642
Obligated	235,029,952	258,942,803
Restricted	151,661,491	128,750,543
Expired	2,215,782	2,012,204
	$ 423,732,593	$ 423,522,192

FBwT includes appropriated, borrowed funds and restricted funds available to pay liabilities and finance authorized financial 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. The general recourse loan portfolio is disaggregated further by loans disbursed pre-2012 and 2012-current. This delineation has been made as the CDFI Fund introduced a standard loan product in 2012 to reduce risk and exposure to the Fund by creating standard underwriting procedures, predictable amortization schedules, and scheduled interest payments. 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, 2018 and 2017, delineated by delinquency category is as follows:

As of September 30, 2018

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Current	Total Financing Receivables
General Recourse Pre-2012	$ -	$ -	$ 891,000	$ 15,432,602	$ 16,323,602
General Recourse 2012-Current	-	-	-	53,094,359	53,094,359
Asset-backed	-	-	-	695,848,066	695,848,066
	$	$	$ 891,000	$ 764,375,027	$ 765,266,027
Less Allowance for Bad Debt					7,015,009
Total					$ 758,251,018

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
General Recourse Pre-2012	$ -	$ 421,000	$ 315,114	$ 20,634,010	$ 21,370,124
General Recourse 2012-Current	-	-	-	48,596,262	48,596,262
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

Gross loans receivable in nonperforming status as of September 30, 2018 and 2017 are $891,000 and $250,000, 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 2018 and 2017 is as follows:

As of September 30, 2018

	Beginning Balance	Write-offs	Recoveries	(Reduction)/ Addition of Bad Debt Expense	Ending Balance
General Recourse Pre-2012	$ 3,112,926	$ (314,934)	$ 9,948	$ (344,220)	$ 2,463,720
General Recourse 2012-Current	4,446,036	-	-	105,253	4,551,289
Asset-backed	-	-	-	-	-
	$ 7,558,962	$ (314,934)	$ 9,948	$ (238,967)	$ 7,015,009

As of September 30, 2017

	Beginning Balance	Write-offs	Recoveries	(Reduction) of Bad Debt Expense	Ending Balance
General Recourse Pre-2012	$ 4,868,313	$ (800,000)	$ -	$ (955,387)	$ 3,112,926
General Recourse 2012-Current	4,652,207	-	-	(206,171)	4,446,036
Asset-backed	–	-	-	-	-
	$ 9,520,520	$ (800,000)	$ –	$ (1,161,558)	$ 7,558,962

The allowance for bad debt attributable to loans individually evaluated for impairment and loans collectively evaluated for impairment as of September 30, 2018 and 2017 is as follows:

As of September 30, 2018

	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 Pre-2012	$ 1,376,000	$ 14,947,602	$ 1,147,177	$ 1,316,543	$ 2,463,720
General Recourse 2012-Current	-	53,094,359	-	4,551,289	4,551,289
Asset-backed	-	695,848,066	-	-	-
	$ 1,376,000	$ 763,890,027	$ 1,147,177	$ 5,867,832	$ 7,015,009

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 Pre-2012	$ 2,232,781	$ 19,137,343	$ 1,338,573	$ 1,774,353	$ 3,112,926
General Recourse 2012-Current	-	48,596,262	-	4,446,036	4,446,036
Asset-backed	-	490,990,714	-	-	-
	$ 2,232,781	$ 558,724,319	$ 1,338,573	$ 6,220,389	$ 7,558,962

At September 30, 2018 and 2017 impaired loans with and without a related allowance are as follows:

As of September 30, 2018

Impaired Loans for which there is a related allowance:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
General Recourse Pre-2012	$ 1,376,000	$ 1,376,000	$ 1,147,177	$ 1,804,391	$ -
General Recourse 2012-Current	-	-	-	-	-
Asset-backed	-	-	-	-	-
	$ 1,376,000	$ 1,376,000	$ 1,147,177	$ 1,804,391	$ -

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

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 Pre-2012	$ 2,232,781	$ 2,232,781	$ 1,338,573	$ 3,137,852	$ -
General Recourse 2012-Current	-	-	-	-	-
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.

The CDFI Fund recognized no interest income related to impaired loans for the period ended September 30, 2018 and 2017. 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 1:1. 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, 2018 the CDFI Fund had a total recorded investment of one impaired loan from General Recourse Pre-2012 TDRs of $891,000 of which $891,000 had a related allowance for bad debt of $891,000. As of September 30, 2017 the CDFI Fund had a total recorded investment of two impaired loans from General Recourse Pre-2012 TDRs of $986,114 of which $986,114 had a related allowance for bad debt of $556,652. There were no General Recourse 2012-Current or Asset-backed TDRs as of September 30, 2018 or 2017.

For the years ended September 30, 2018 and 2017, grants in the amount of $8,100,620 and $4,944,000 respectively, were disbursed to debtors owing receivables whose terms have been modified in TDRs. As of September 30, 2018 and 2017, there were commitments in the amount of $2,950,000 and $4,804,120, 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, 2018 and 2017 were as follows:

As of September 30, 2018	Pass	Likely	Doubtful	Loss	Total
General Recourse Pre-2012	$ 6,122,064	$ 8,825,538	$ 485,000	$ 891,000	$ 16,323,602
General Recourse 2012-Current	28,296,352	24,798,007	-	-	53,094,359
Asset-backed	695,848,066	-	-	-	695,848,066
	$ 730,266,482	$ 33,623,545	$ 485,000	$ 891,000	$ 765,266,027

As of September 30, 2017	Pass	Likely	Doubtful	Loss	Total
General Recourse Pre-2012	$ 8,927,697	$ 10,209,646	$ 1,917,667	$ 315,114	$ 21,370,124
General Recourse 2012-Current	25,457,952	23,138,310	–	–	48,596,262
Asset-backed	490,990,714	–	–	–	490,990,714
	$ 525,376,363	$ 33,347,956	$ 1,917,667	$ 315,114	$ 560,957,100

(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, 2018 and 2017 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2018:			
Convertible debt securities	$ 696,030	$ -	$ 696,030
Secondary capital securities	$ 2,203,454	-	$ 2,203,454
Total	$ 2,899,484	$ -	$ 2,899,484

	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

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2018:

		Fair Value
Held-to-Maturity:		
Within one year	$	-
Due after one through five years		2,203,454
Due after five through ten years		-
Due after ten years		696,030
Total	$	2,899,484

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, 2018 or September 30, 2017.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2018 and 2017, this category consists of one debenture of $1.975 million and $1.975 million notional amount, respectively (amortized cost of $696,030 and $651,927 as of September 30, 2018 and 2017, 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, 2018 and 2017. 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.

	2018		2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Fund Balance with Treasury	$ 423,732,593	$ 424,000,000	$ 423,522,192	$ 424,000,000
Loans Receivable	758,251,018	720,000,000	553,398,138	531,000,000
Investments, amortized costs	2,899,484	3,000,000	2,831,245	3,000,000
Investments, equity method	523,613	500,000	867,896	900,000
Investments, cost method	13,973,686	31,000,000	14,142,519	31,000,000
Financial liabilities:				
Awards payable	61,539	60,000	18,837,894	19,000,000
Debt	784,710,359	725,000,000	567,401,984	524,000,000

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*, Investments – Equity Method and Joint Ventures*. 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 $13,973,686 and $14,142,519 at September 30, 2018 and 2017, 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 two investments that were determined to be other than temporarily impaired and were written down during fiscal year 2018 in an amount totaling $168,833.

(9) Equity Method Investments

Investments accounted for under the equity method consist of a Class B limited partnership interest in Sustainable Jobs Fund, LP, an interest in Pacific Community Ventures Investment Partners II, and a non-voting redeemable transferable interest in BCLF Ventures II, LLC. Equity method investments totaled $523,613 and $867,896 at September 30, 2018 and 2017, respectively.

(10) Debt and Other Borrowings

The CDFI Fund's debt totaled $784,710,359 and $567,401,984 at September 30, 2018 and 2017, respectively. Debt represents the principal of borrowings payable to the Department of Treasury and the FFB that were made to fund loans as detailed below, as well as subsidy costs, and annual interest payments. Payments to the Department of the Treasury are due on September 30 of each year of maturity. Payments to the FFB are made quarterly and semi-annually as collections are received by loan borrowers. Principal payments that include direct loans and total principal payments for the bond guarantees on this debt as of September 30, 2018 are as follows:

Fiscal Year	Principal Payments
2019	$ 34,374,567
2020	25,463,899
2021	23,840,007
2022	26,369,160
2023	26,594,631
Later years, through 2058	628,623,763
Total	$ 765,266,027

During fiscal year 2018, the CDFI Fund borrowed $243,729,521 for new loans. This included $228,259,835 for BGP loans, $5,998,288 for BGP downward subsidy reestimate, $6,739,948 for direct loans, $333,843 for direct loan downward subsidy reestimate, and $2,397,607 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. The CDFI Fund's debt was reduced by repayments of BGP principal, repayments of Direct Loan debt, upward subsidy reestimates, and repayments of prior year cash balances brought forward to Treasury totaling $26,421,146.

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. The CDFI Fund's debt was reduced by repayments of BGP principal, repayments of Direct Loan debt, upward subsidy reestimates, and repayments of prior year cash balances brought forward to Treasury totaling $17,089,229.

Interest paid in cash for the years ended September 30, 2018 and 2017 was $24,755,430 and $17,385,594 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.

(11) 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 November 2019. The total operating lease expense was $1,201,683 and $1,189,811 for the years ended September 30, 2018 and 2017, respectively.

Future estimated minimum payments due under these operating leases as of September 30, 2018 were as follows:

Fiscal Year	*Estimated minimum lease payments
2019	$ 1,386,362
2020	166,257
	$ 1,552,619

* 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, 2018 and 2017, unfilled award commitments amounted to $223,939,325 and $208,985,026 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. There were no award commitments pertaining to the Capital Magnet Fund as of September 30, 2018 and 2017. 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 $0 and $18,837,844 as of September 30, 2018 and 2017, 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 $61,489 and $0 as of September 30, 2018 and 2017, respectively, are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $9,585,321 and $8,138,981 as of September 30, 2018 and 2017, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

As of September 30, 2018 and 2017, Bond Guarantee Program unfilled commitments for related direct loan disbursements amounted to $784,412,208 and $856,918,791, respectively. Actual disbursement is subject to borrowers satisfying certain conditions. Funding for such loans is covered by CDFI's established borrowing authority.

(12) Unexpended Appropriations

Unexpended appropriations as of September 30, 2018 and 2017 were as follows:

		2018		2017
Beginning unexpended appropriations:	$	277,253,912	$	272,860,385
Appropriations received		250,143,797		248,640,726
Appropriations for Subsidy Reestimate		2,351,290		1,076,660
Appropriations cancelled		(402,031)		(7,989,341)
Appropriations expended		(249,656,049)		(225,086,862)
Downward Subsidy Reestimate Adjustment		(12,896,007)		(12,247,656)
Change in unexpended appropriations		(10,459,000)		4,393,527
Ending unexpended appropriations	$	266,794,912	$	277,253,912

(13) 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, 2018 and 2017 were $907,046 and $685,791 respectively.

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

Under the Housing and Economic Recovery Act of 2008 (HERA), 12 USC 4567, the GSEs are required to set aside annual allocations equal to 4.2 basis points for each dollar of their unpaid principal balances of total new business purchases. Under the Act, the Housing Trust Fund (a Department of Housing and Urban Development Program) would have received 65 percent of the funds, and the CMF would have received 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 2017 activities, the GSEs' transferred $144,916,610 to the CDFI Fund in February 2018 for the CMF Program. An accrual of $98,300,000 was made in anticipation of collections in FY 2019 for fees estimated through September 30, 2018.

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.

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, and, 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.

(15) Administrative Expenses

Administrative expenses consist of the following for the years ended September 30, 2018 and 2017:

	2018	2017
Personnel compensation and benefits	$ 12,255,430	$ 12,748,100
Travel	79,675	65,623
Rent, communication, utilities and miscellaneous charges	1,201,865	1,189,811
Contractual services with other agencies	5,055,878	4,962,359
Contractual services with non-federal parties	4,506,488	5,580,583
Information technology systems maintenance	413,669	67,510
Amortization	1,272,569	822,188
Supplies and printing	57,438	77,270
Total	$ 24,843,012	$ 25,513,444

(16) Related Party Transactions

The CDFI Fund has an Interagency agreement with the Department of the Treasury. As of September 30, 2018 and 2017, these related party expenses amounted to $6,486,126 and $6,094,366, respectively.

Expenses were recorded as follows for fiscal years 2018 and 2017: Interagency Agreements with Departmental Offices for financial management services, conference and events, postage, human resources services, and Treasury's Franchise Fund Shared Services Program for shared IT services in the amount of $2,516,305 and $2,392,700 for fiscal years 2018 and 2017, respectively. An Interagency Agreement with the Bureau of the Fiscal Service for accounting services, e-Travel and Prism in the amount of $1,904,386 and $1,883,576 for fiscal years 2018 and 2017, respectively. An Interagency Agreement with Alcohol and Tobacco Tax and Trade Bureau for IT services in the amount of $2,065,435 and $1,818,090 for fiscal years 2018 and 2017, respectively.

(17) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 13, 2018, 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

PPCs - 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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