Audit Report

OIG-20-011

FINANCIAL MANAGEMENT

Audit of the Community Development Financial Institutions Fund's Financial Statements for Fiscal Years 2019 and 2018

November 13, 2019

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 13, 2019

**MEMORANDUM FOR JODIE HARRIS, 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 2019 and 2018

We hereby transmit the attached subject report. Under a contract monitored by our office, KPMG LLP (KPMG), a certified independent public accounting firm, audited the financial statements of the Community Development Financial Institutions (CDFI) Fund as of September 30, 2019 and 2018, 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. 19-03, *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.

In connection with the contract, we reviewed KPMG's report 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' report dated November 13, 2019, and the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

If you wish to discuss this report, please contact me at (202) 927-0009, or a member of your staff may contact Catherine Yi, Audit Manager, Financial Audit, at (202) 927-5591.

Attachment

AGENCY FINANCIAL REPORT
FISCAL YEAR 2019

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) 2019 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 more than $3.4 billion through a variety of monetary award programs, $57.5 billion in tax credits through the New Markets Tax Credit Program, and has guaranteed more than $1.6 billion in bonds through the CDFI Bond Guarantee Program, all to increase the impact of CDFIs and other community development organizations in economically distressed and underserved communities. During this time, the CDFI Fund has helped build the capacity of nearly 1,100 certified CDFIs, which are located in all fifty states, as well as in the District of Columbia, Guam, and Puerto Rico.

I am proud to report that in my first year as Director, the CDFI Fund has continued to build on this strong history of performance in FY 2019 by providing nearly $202.0 million[1] in monetary awards and loans, approving term sheets for $100 million in bonds to community development organizations, and allocating $3.5 billion in New Markets Tax Credits.

CDFI Fund award recipients have successfully leveraged billions in private sector investment to create jobs, build affordable housing, build essential community facilities, provide financial counseling, and invest in neighborhood revitalization initiatives. This year alone, CDFI Program awardees reported originating more than 772,000 loans and investments in excess of $21.5 billion; financing more than 51,300 units of affordable housing; and funding nearly 19,200 businesses—all in distressed and underserved communities lacking access to traditional lending or banking institutions.

The demand for the CDFI Fund's awards continues to exceed the supply of resources for nearly all programs in FY 2019, demonstrating strong applicant pools from which awardees are selected.

FY 2019 CDFI Fund Programs - Program Demand

Program	Awards	
	Requested	Available
Bank Enterprise Award Program	$150.1 million	$25.0 million
Capital Magnet Fund	$522.0 million	$130.8 million
CDFI Program (Financial Assistance & Technical Assistance)	$579.5 million	$140.9 million
Native American CDFI Assistance Program (NACA Program)	$29.0 million	$13.9 million
Disability Funds-Financial Assistance (DF-FA)	$10.1 million	$3.0 million
Persistent Poverty County-Financial Assistance (CDFI Program and NACA Program)	$53.6 million	$19.7 million
Healthy Food Financing Initiative	$114.1 million	$22.0 million
New Markets Tax Credit Program	N/A[2]	$3.5 billion
CDFI Bond Guarantee Program	$ 180.0 million	$500.0 million

[1] This includes FY 2018 Appropriations awarded in FY 2019, as well as FY 2019 Appropriations awarded in FY 2019.
[2] The CY 2019 round application deadline is October 28, 2019, after the close of FY 2019 which this report covers.

In FY 2019, the CDFI Fund undertook several key administrative and program initiatives to maximize its impact, efficiency, and accessibility. These included:

- Continuing work to update and revise the measurements and tests employed by the CDFI Fund to certify community development financial institutions and began the process of seeking public comment and feedback.
- Updating the Awards Management Information System (AMIS) to improve the CDFI Fund's data, decision-making, and delivery of program resources, including the deployment of revised Helpdesk features to enhance customer service and the user experience.
- The continued development of the Assessment and Risk Management Framework (ARM Framework), a suite of tools 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.
- Continuing to support investment in Persistent Poverty Counties (PPCs) through targeted assistance provided by the Bank Enterprise Award, CDFI and NACA Programs. To date, CDFI Program awardees have invested or lent nearly $7.8 billion in PPCs, which comprises roughly 20% of all CDFI Program awardee transaction dollars. In addition, nearly 15% of FY 2019 Bank Enterprise Award Program (BEA Program) awards were committed to PPCs.
- Providing the first series of trainings and workshops through the relaunch of the CDFI Fund's Capacity Building Initiative to increase capabilities of CDFIs to deploy capital in distressed and underserved areas.

The CDFI Fund is just as needed and impactful today as it was when it was first established 25 years ago. The flexible and community-oriented assistance provided through CDFI Fund programs has proven invaluable in supporting access to capital in economically underserved communities across America and increased opportunities to access the economic mainstream.

The accomplishments outlined in this report would not be possible without the dedicated efforts of the CDFIs and community-based organizations who participate in our programs. And they almost certainly would not be possible without the hard work and service of the CDFI Fund staff to whom I am grateful.

Jodie Harris
Director
Community Development Financial Institutions Fund
November 13, 2019

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

- **Capital Magnet Fund (CMF):** 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 (CDFI 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 (HFFI):** 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 (DF-FA):** provides Financial Assistance awards to certified CDFIs that wish to expand their financing activities and services to benefit persons with disabilities.

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

- **Native Initiatives:** which includes the Native American CDFI Assistance Program (NACA Program) that 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 (NMTC Program):** provides tax credit allocation authority to certified Community Development Entities (CDEs), enabling them to attract investment from the private sector and invest the funds in low-income communities.

Since its creation, the CDFI Fund has awarded more than $3.4 billion to community development organizations and financial institutions. It also has awarded tax credit allocations totaling $57.5 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 nearly 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:

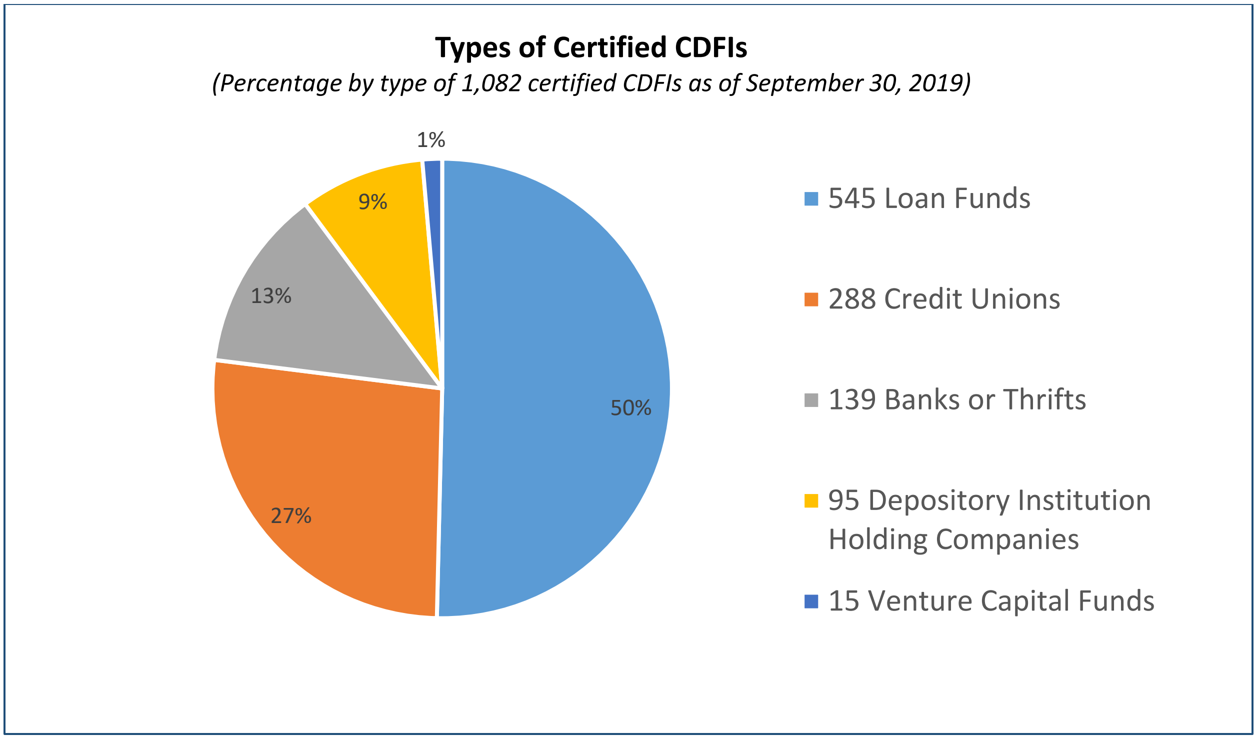
1. **Community development banks, thrifts, and bank holding companies** - Regulated, for-profit corporations that provide basic retail banking services, as well as capital to rebuild economically distressed communities through targeted lending and investment.

2. **Community development credit unions** - Regulated, member-owned 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 remains 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 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, healthcare, 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.

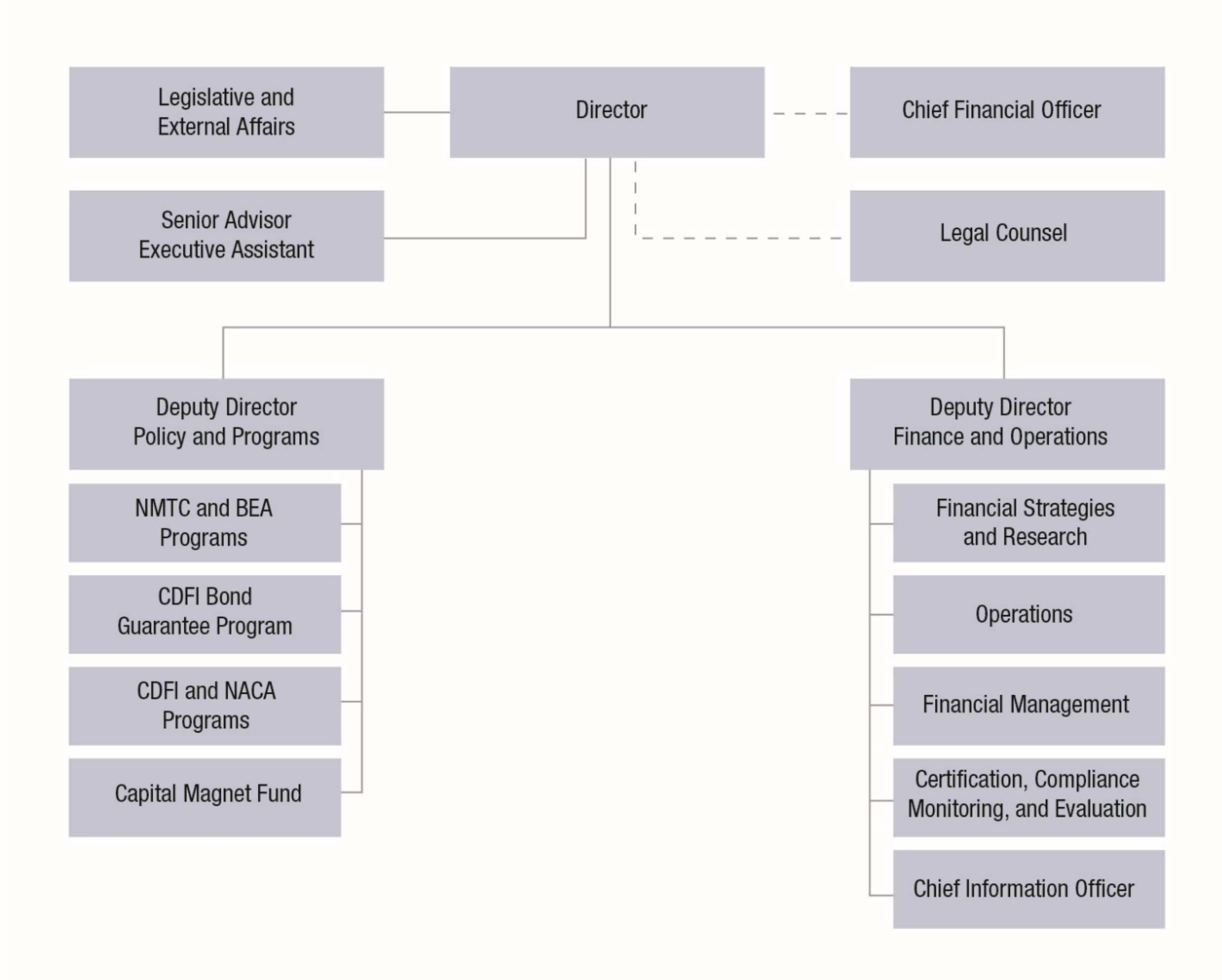
When an organization is certified as a CDE, it is eligible to apply to participate in the NMTC Program.

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. The Advisory Board met in Washington, DC on September 23, 2019.

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 can be spent over two fiscal years; 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, which must be spent during the fiscal year for which it was appropriated for.

In FY 2019, Congress appropriated the CDFI Fund $250.0 million as follows:

Congressional Appropriations
(Amounts in Millions)

Appropriations	FY 2019		FY 2018	
	Amount	Percent	Amount	Percent
Amounts Funded:				
- CDFI Program	$182.0	72.8%	$182.0	72.8%
- BEA Program	$25.0	10.0%	$25.0	10.0%
- Native Initiatives	$16.0	6.4%	$16.0	6.4%
- Administrative Cost	$27.0	10.8%	$27.0	10.8%
Total Amounts Funded	$250.0	100.0%	$250.0	100.0%
Less Amounts Not Obligated[3]	$190.1		$28.8	
Total Funding Used	$59.9	24.0%	$221.2	88.5%

[3] 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 Native Initiatives.

In FY 2019, the CDFI Fund did not obligate $190.1 million, which included $175.7 million from the CDFI Program and $14.4 million from the Native Initiatives.

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 (the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (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 NMTC Program are also not 'funded' through the annual appropriations process. Bond guarantee authority is provided by Congress annually through the appropriations process. Authorization to allocate New Markets Tax Credits on an annual basis is provided through the Protecting Americans from Tax Hikes Act of 2015.

Appropriated program funds (i.e. CDFI Program, NACA Program, and BEA Program) 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 2019	FY 2018
Budgetary Appropriations	$250.0	$250.0
Prior Year Amounts Deobligated,		
Used to Fund Current Year Obligations	$0.3	$1.0
Carryover from Prior Year	$28.8	$29.0
No-Year Funds	$3.7	$3.5
Borrowing Authority Used[4]	$370.4	$243.7
Total Sources of Funds	**$653.2**	**$527.2**

[4] Represents $4.5 million borrowed for direct loan subsidies from Treasury's Federal Borrowings Branch related to the CDFI Program and NACA Program, and $365.9 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 products and 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 investments and support to CDFIs or in their own lending, investing, or service-related activities in the most economically distressed communities.

The BEA Program defines "the most economically distressed communities" as those where at least 30% 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 certified 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, and 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, new Automated Teller Machines, 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 are also factored into the award amount.

The CDFI Fund prioritizes awards according to the category 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 economically 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 23 rounds of the program and has awarded over $521.0 million.

FY 2019 Activities

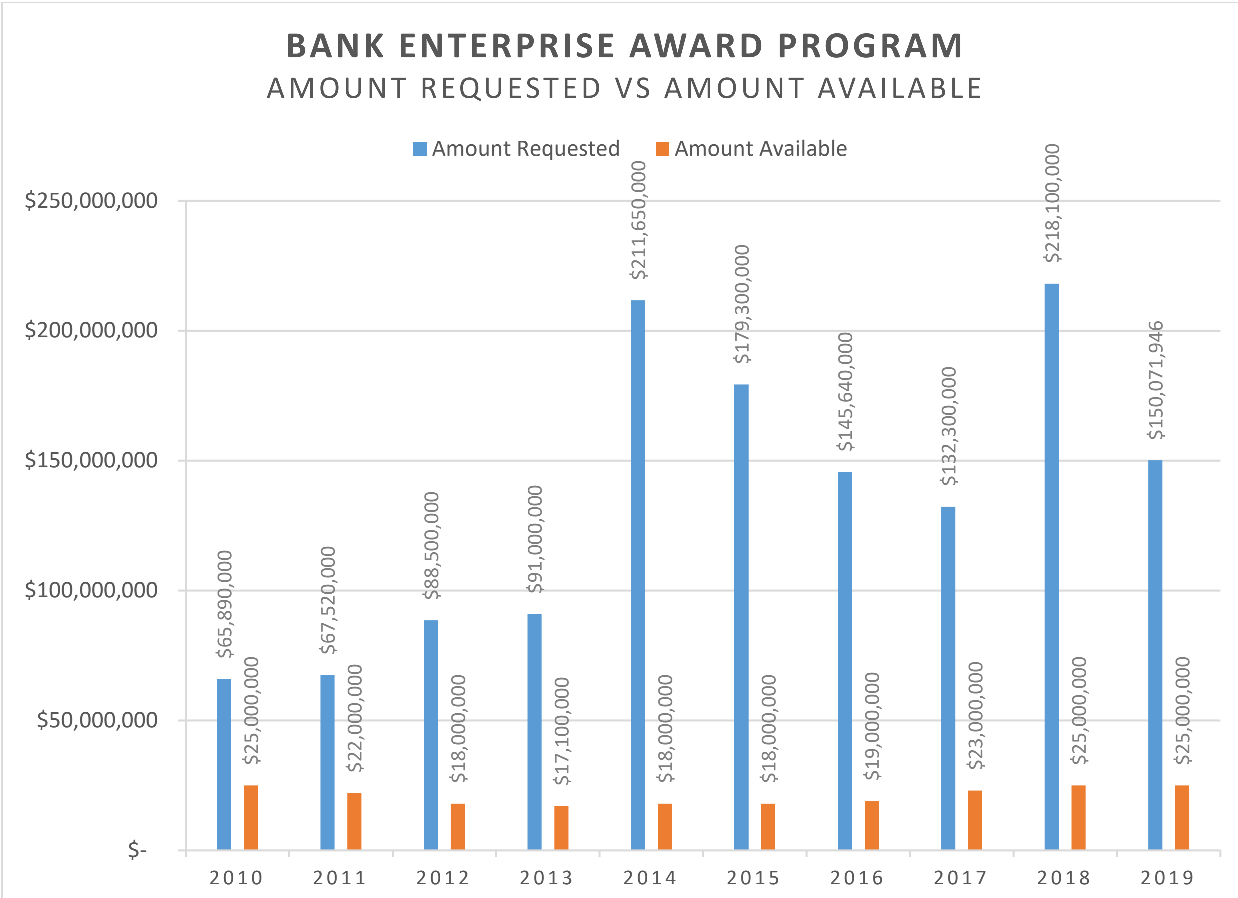
In FY 2019, the CDFI Fund announced the FY 2018 and FY 2019 rounds of the BEA Program.

The FY 2018 round opened July 2018 and awards were announced on December 19, 2018. For the FY 2018 round:

- 124 applicants submitted applications requesting $218.1 million in awards.
- 119 applicants received awards totaling $25.0 million.
- The award recipients were located in 24 states and the District of Columbia.

The FY 2019 round of the BEA Program opened in April 2019 and awards were announced on September 17, 2019. For the FY 2019 round:

- 117 applicants submitted applications requesting over $150.0 million in awards.
- 113 applicants received awards totaling $25.2 million.
- The award recipients are located in 22 states and the District of Columbia.



BEA Program Impact

FY 2018 Impact

Collectively, during the one-year assessment period, the 119 depository institutions that received BEA Program awards during the FY 2018 round:

- Increased their loans and investments in distressed communities by $578.0 million;
- Increased their loans, deposits, and technical assistance to CDFIs by $38.6 million;
- Increased their equity and equity-like loans and grants to CDFIs by $16.7 million; and
- Increased the provision of financial services in highly distressed communities by $6.8 million.

In addition, 86 of the 119 award recipients committed to deploying approximately $3.4 million in Persistent Poverty Counties, which are counties where 20% 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 13.6% of the FY 2018 appropriated funds for the BEA Program, and exceeds the amount (10.0%) that Congress mandates BEA Program award recipients deploy in Persistent Poverty Counties.

FY 2019 Impact

Collectively, during the one-year assessment period, the 113 depository institutions that received BEA Program awards during the FY 2019 round:

- Increased their loans and investments in distressed communities by more than $362.2 million;

- Increased their loans, deposits, and technical assistance to CDFIs by more than $26.5 million; and

- Increased the provision of financial services in highly distressed communities by more than $36.1 million.

In addition, 81 of the 113 award recipients committed to deploying a portion of their award in Persistent Poverty Counties, which are counties where 20.0% 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 14.8% of the FY 2019 appropriated funds for the BEA Program, and exceeds the amount (10.0%) 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 2018, the leverage ratio was 40:1, or $1.0 billion in total qualified activities by all award recipients to $25 million in total awards.

- For FY 2019, the leverage ratio was 32:1, or $799 million in total qualified activities by all award recipients to $25 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—Fannie Mae and Freddie Mac—to set aside an amount equal to 4.2 basis points for every dollar of their unpaid principal balances of total new mortgage purchases annually for the CMF and Housing Trust Fund, unless otherwise instructed by the Federal Housing Finance Agency (FHFA), serving as their conservator. Of the amount set aside by Fannie Mae and Freddie Mac annually, 35.0% is allocated to the CDFI Fund for 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 and meet any other eligibility requirements outlined in the Notice of Funds Availability for the round.

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 70.0% of their CMF grants to finance affordable housing, and may request to use up to 30.0% 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. It 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 at least 10 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 four rounds of the program and has awarded grants totaling more than $433.9 million. HERA provides the FHFA with the authority to temporarily suspend allocations from Fannie Mae and Freddie Mac upon certain findings. In 2010, the FHFA temporarily suspended these allocations. However, 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, and it was followed by the FY 2017 and FY 2018 rounds.

FY 2019 Activities

In FY 2019, the CDFI Fund completed the FY 2018 award round of the CMF, which was the fourth round in the program's history.

The CDFI Fund opened the FY 2018 round in July 2018 and announced the awards on February 13, 2019. The demand for CMF awards significantly exceeded the resources available for the awards:

- 116 applicants submitted applications requesting nearly $570.0 million in awards.

- 38 applicants received awards totaling $142.9 million in awards.

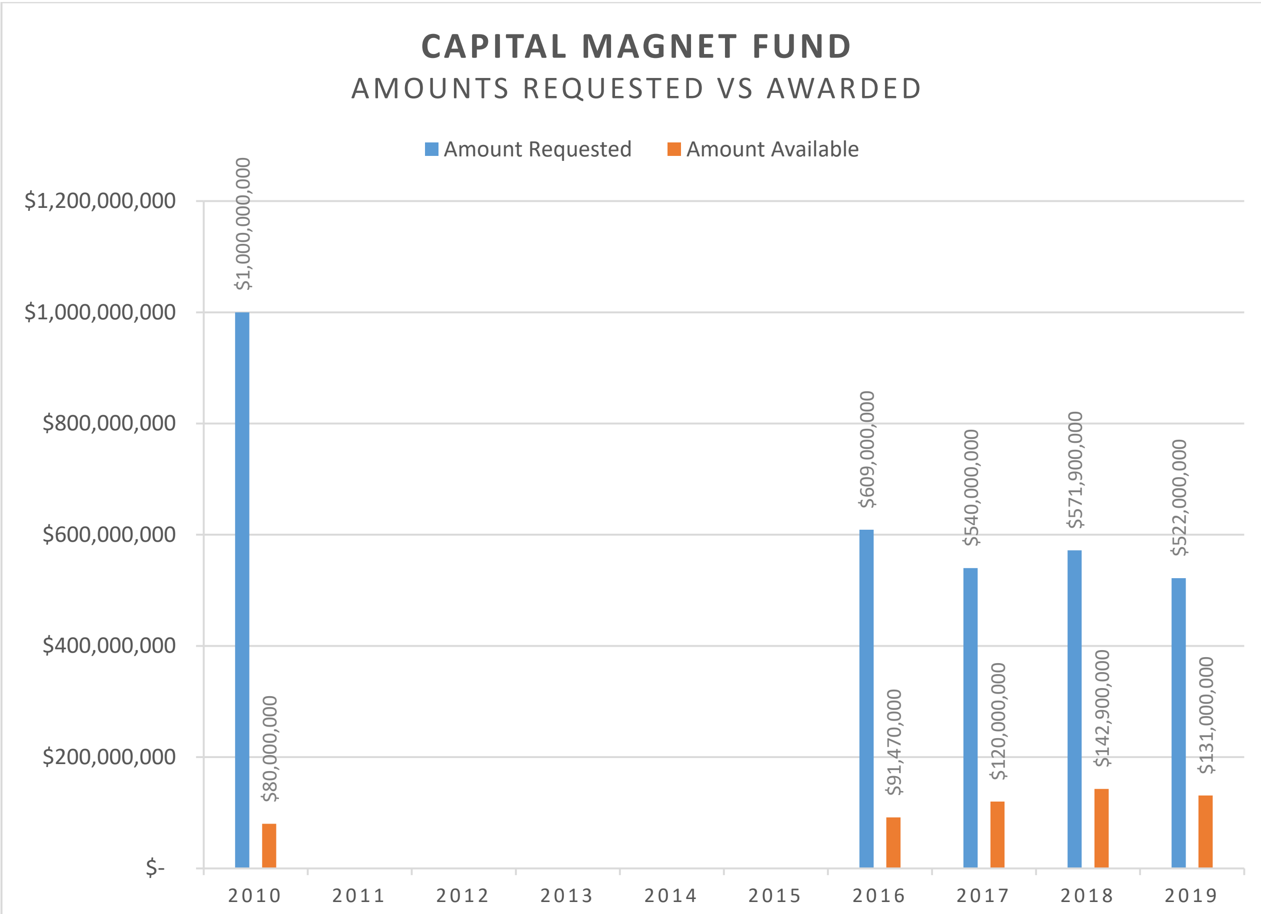
The 38 FY 2018 award recipients will serve 39 states, the District of Columbia, and Puerto Rico. Based on awards recipients' projections, the FY 2018 round of the CMF will leverage an estimated $5.5 billion in public and private investment. The award recipients plan to develop over 25,000 affordable housing units, which includes 23,000 rental units and over 2,000 homeownership units. Of these:

- 95.0% of all housing units will be developed for low-income families (80.0% of the area median income or below).

- 94.0% of the Homeownership Units will be developed for Low-Income Families (80.0% of the Area Median Income or below).

- 57.0% of the Rental Units will be developed for Very Low-Income and Extremely Low-Income Families (50.0% of the Area Median Income or below).

The CDFI Fund also opened the FY 2019 round of the program on June 25, 2019, with an application submission deadline of August 26, 2019. Approximately $130.8 million in awards will be announced in early CY 2020.



Capital Magnet Fund Impact:

CMF Recipients have two years to commit their CMF Award to specific projects and five years to complete those projects. Based on reporting received by the end of FY 2019, of the nearly $290.0 million that has been awarded in the FY 2010, FY 2016, and FY 2017 Rounds, the following impacts have been reported.

FY 2017 Round Impact: FY 2017 recipients reported their initial financial commitments of CMF funds to develop affordable housing units to the CDFI Fund. These commitments include:

- Rental Housing Units commitments totaling approximately $50.7 million for development of 8,847 projected eligible units to date.
- Homeownership Unit commitments totaling approximately $7.6 million for the development of 800 projected eligible units to date.

- Economic Development commitments totaling approximately $210,000 for facilities such as healthcare and community facilities serving these projects.

- In addition to the initial investment of the CMF award, recipients have committed reinvestments of the award totaling approximately $4.2 million. These reinvestments are made possible through short-term investments in projects being repaid during the five-year CMF investment period.

- Based on these commitments, total projected eligible project cost, which are project costs for eligible housing and economic development projects financed/supported with the CMF awards, are estimated at $1.5 billion.

- Overall award recipients have projected that about 98.0% of all housing units will be affordable for Low-Income persons (80.0% of the Area Median Income or below), and about 53.0% of the rental units will be developed for Very Low-Income and Extremely Low-Income persons (5.00% of the Area Median Income or below).

FY 2016 Round Impact: FY 2016 recipients reported their financial commitments of CMF funds to develop affordable housing units. These commitments include:

- Rental Housing Units commitments totaling approximately $72.4 million for development of 14,613 projected eligible units to date.

- Homeownership Unit commitments totaling approximately $8.5 million for the development of 1,138 projected eligible units to date.

- Economic Development commitments totaling approximately $2.3 million for facilities such as healthcare and community facilities serving these projects.

- In addition to the initial investment of the CMF award, recipients have committed reinvestments of the award totaling approximately $12.2 million. These reinvestments are made possible through short-term investments in projects being repaid during the five-year CMF investment period.

- Based on these commitments, total projected eligible project costs, which are project costs for eligible housing and economic development projects financed/supported with the FY 2016 CMF awards, are estimated at $3.0 billion.

- Overall award recipients have projected that over 97.0% of all housing units will be affordable for Low-Income persons (80.0% of the Area Median Income or below), and about 63.0% of the rental units will be developed for Very Low-Income and Extremely Low-Income persons (50.0% of the Area Median Income or below).

FY 2010 Round Impact: The FY 2010 round awarded $80.0 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, 2019 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[5] affordable homes were completed and maintained their affordability standards with:
  - Affordable rental homes totaling 11,700; and
  - 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[6] (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.

[5] These numbers may change due to ongoing compliance reviews.

[6] 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.

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.

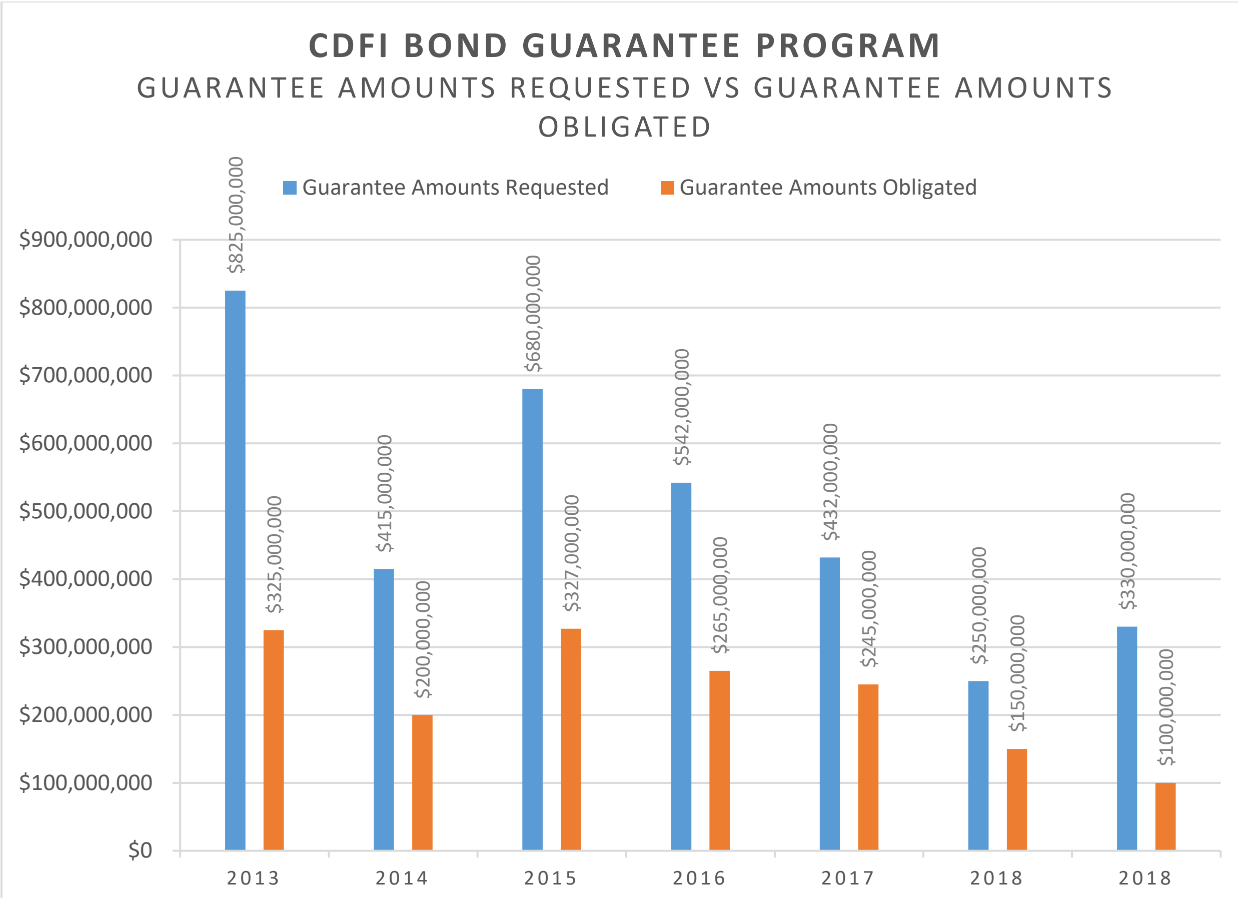
During the application round, a Qualified Issuer applies to the CDFI Fund for authorization to issue bonds on behalf of CDFIs. Each bond issue is required to be a minimum of $100.0 million. CDFIs have the opportunity to borrow long-term capital from the FFB for large-scale community development projects 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.

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 nearly $1.1 billion in loans.

FY 2019 Activities

On November 5, 2018, the CDFI Fund opened the FY 2019 application period for the CDFI Bond Guarantee Program and made up to $500.0 million in bond guarantee authority available to CDFIs. The application period closed on March 26, 2019. In September 2019, the CDFI Fund obligated $100 million for guarantees through 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, 2019

Asset Class	Since Inception Disbursements *($millions)*	Proposed Disbursements *($millions)*	Geography *(Based on YTD Disbursements)*
Charter Schools	$288.5	$440.0	AZ, CA, CO, CT, DC, FL, IL, MD, MI, MN, MO, NJ, NY, OH, PA, TN
Rental Housing	$297.9	$360.6	AL, AZ, CA, DC, FL, GA, IL, KY, MA, MD, MI, MN, NC, NJ, NM, NV, NY, OH, OR PA, TX, WI, WV, UT

Commercial Real Estate	$192. 7	$267.7	AZ, CA, IL, MI, NJ, NC, NV, NY, OK, OR, PA[7]
CDFI to Financing Entity[8]	$107.1	$132.4	CT, FL, IL, IN, KY, MA, MD, MI, NJ, NM, PA RI, TN, VA, WV[9]
Healthcare Facilities	$78.7	$104.2	AZ, CA, DC, IL, KY, NY, WI
Not-for-Profit Organizations	$50.0	$80.3	AZ, CA, MA, MI, NM, NV, NY, PA, TN,
Senior Living and Long Term Care	$17.6	$44.0	CA, NV
Small Business	$30.7	$37.7	AZ, CA, KY, PA, CO
Daycare Centers	$11.6	$25.1	CA, KY, NM, NY
Totals	**$1,074.8**	**$1,492.0**	

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.

How it Works

Purpose

The purpose of the CDFI Program is to increase the capacity of CDFIs to serve low-income people and underserved 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.

Award Process

Financial Assistance

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

[7] Tribal Communities in NV and OK.
[8] Owner Occupied Homes 98.7% and Commercial Real Estate 1.3%.
[9] All are home mortgages except NJ.

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 a 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.

Financial Assistance Award Types: The primary FA award type is the Base Financial Assistance (Base-FA) award. Base-FA awards of up to $1.0 million allow CDFIs to sustain and expand their financial products and services. CDFIs may use Base-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.

Base-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 Base-FA award; the match may be in the form of loans, grants, equity investments, and deposits. 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.

Base-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 the annual appropriations.

In addition, the following award types are provided as a supplement to the Base-FA award:

- **HFFI-FA Awards:** In FY 2011, the CDFI Fund launched the Healthy Food Financing Initiative (HFFI), and through the CDFI Program, it provides Healthy Food Financing Initiative-Financial Assistance (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 a Base-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, 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 retail access to healthy foods, to develop and equip grocery stores, and to strengthen producer-to-consumer relationships.

Since inception, the CDFI Fund has awarded 93 HFFI-FA awards totaling more than $179.3 million.

- **DF-FA Awards:** The Consolidated Appropriations Act of 2019 (P.L. 116-6) provided the CDFI Fund up to $3.0 million to provide "technical and financial assistance to CDFIs that fund projects to help individuals with disabilities." In response to this Congressional directive, a total of $3.0 million was made available for FY 2019 Disability Funds-Financial Assistance (DF-FA) awards.[10]

  To be eligible for a DF-FA award, a CDFI must be selected to receive a Base-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 2019 required that 10% 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% or more of the population has lived in poverty over the past 30 years.

  To be eligible for a Persistent Poverty County-Financial Assistance (PPC-FA) award, a CDFI must submit a Base-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.

[10] This is the second CDFI Program round for which DF-FA awards have been made available. The CDFI Fund previously awarded $5 million in DF-FA awards under the FY 2018 CDFI Program round, which was comprised of funds provided by Congress in the Consolidated Appropriations Act of 2017 (P.L. 115-31) and Consolidated Appropriations Act of 2018 (P.L. 115-141).

Technical Assistance

Technical Assistance Applicant Types: 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.

Technical Assistance Award Types: TA awards of up to $125,000 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.

Awards since Inception

Since the inception of the CDFI Program in 1994, the CDFI Fund has completed 23 rounds of the program, and awarded FA awards and TA awards totaling more than $2.3 billion.

FY 2019 Activities

The CDFI Fund opened the FY 2019 award round of the CDFI Program on April 4, 2019. The application period closed on June 6, 2019. The CDFI Fund announced the FY 2019 Technical Assistance awards on September 19, 2019, and anticipates announcing the FY 2019 Financial Assistance awards before the end of CY 2019.

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

- 412 organizations requested $363.5 million in CDFI Program Base-Financial Assistance (Base-FA) awards.

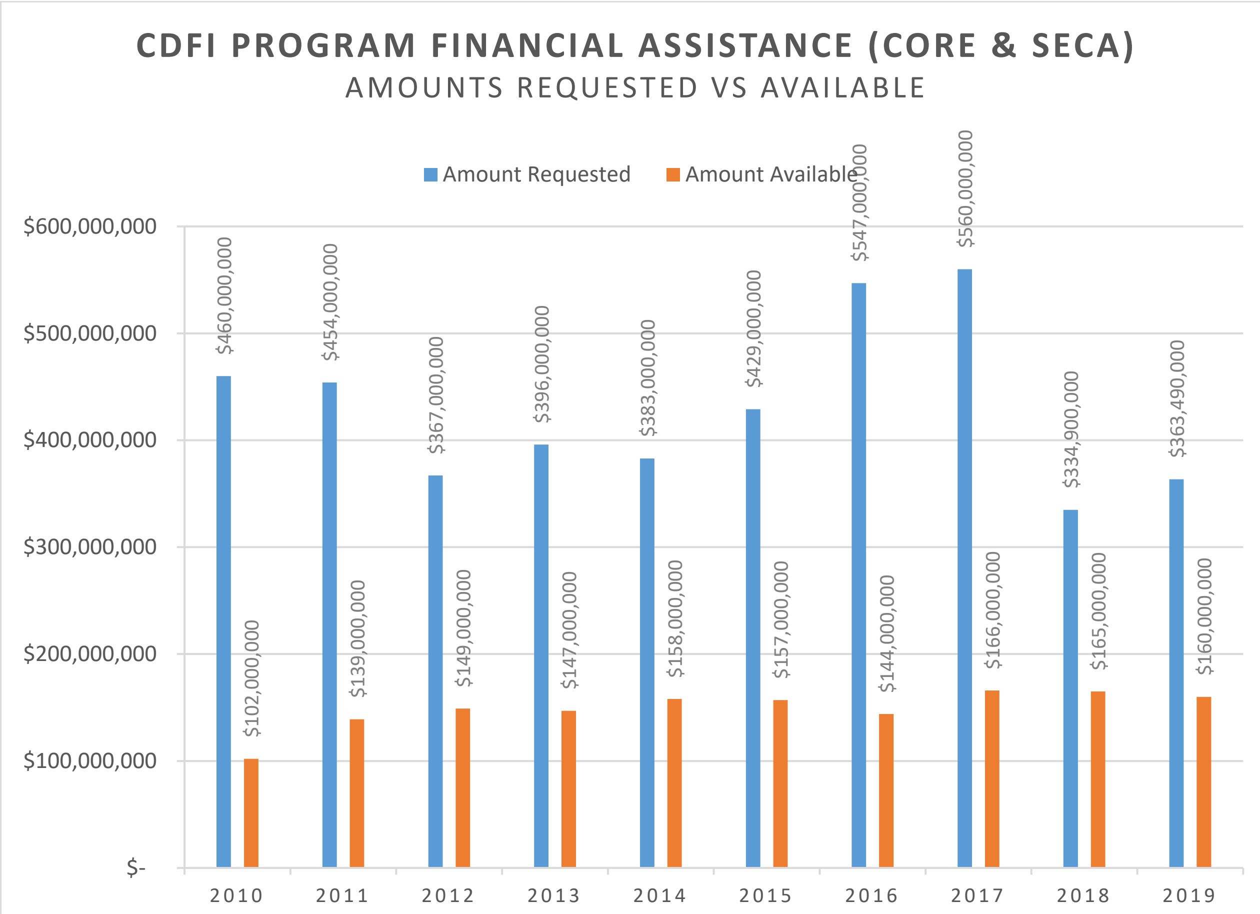
- 81 organizations requested $9.8 million in CDFI Program Technical Assistance (TA) awards; 60 organizations received more than $7.2 million in TA awards.

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

- 184 organizations requested $53.6 million in Persistent Poverty County-Financial Assistance (PPC-FA) awards (CDFI Program and NACA Program combined).

- 35 organizations requested $114.1 million in Healthy Food Financing Initiative-Financial Assistance (HFFI-FA) awards (CDFI Program and NACA Program combined).

- 24 organizations requested $10.1 million in Disability Funds-Financial Assistance (DF-FA) awards (CDFI Program and NACA Program combined).



CDFI Program Impact

In FY 2019, CDFI Program award recipients reported originating loans or investments totaling more than $21.5 billion based on their portfolio of activities in 2018. This includes, but is not limited to:

- $ 9.0 billion for consumer loans;
- $ 4.4 billion for home improvement and purchase loans;
- $ 3.2 billion for business and microenterprise loans;
- $ 2.1 billion for residential real estate transactions; and

- In addition, recipients financed over 51,000 affordable housing units;

The FY 2019 performance results reported in the table below reflect program outcomes and activities for 2018 and are based on information entered into the CDFI Fund's performance reporting system by CDFI Program award recipients.

Annual Performance Report of CDFI Program Award Recipients for FY 2019
(Based on Program Activities Reported in 2018)

Lending and Investing Activity [11]	Amount
Amount of Total Loans/Investments Originated	**$21,569,681,852**
Number of Total Loans/Investments Originated	772,348
Business and Microenterprise Originations	**$3,277,317,461**
Number of Originations	23,030
Consumer Originations	**$9,006,560,294**
Number of Originations	697,854
Home Improvement and Home Purchase Originations	**$4,447,569,477**
Number of Originations	42,006
Residential Real Estate Originations	**$2,148,382,736**
Number of Originations	4,328
Commercial Real Estate Originations	**$2,219,416,324**
Number of Originations	3,452
All Other Originations	**$470,435,560**
Number of Originations	1,678
Affordable Housing Units Financed [12]	**51,359**
Rental Units	47,564
Owner Units	3,795
Businesses Financed [13]	**19,200**

CDFI Program cumulative impact data is reported in the table below for FY 2010 to FY 2019 based on recipients' activities in 2009 to 2018.

Cumulative Performance Report of CDFI Program Award Recipients for FYs 2010 to 2019[14]

[11] Data is compiled from 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] A change in transactional data collection for the above loan purpose categories creates inconsistencies in cumulative reporting prior to 2010.

(Based on Program Activities Reported from 2009 to 2018)	
Lending and Investing Activity[15]	Amount
Amount of Total Loans/Investments Originated	**$55,366,792,463**
Number of Total Loans/Investments Originated	1,486,216
Business and Microenterprise Originations	**$10,880,779,829**
Number of Originations	221,507
Consumer Originations	**$13,677,347,910**
Number of Originations	1,060,271
Home Improvement and Home Purchase Originations	**$11,533,282,853**
Number of Originations	134,511
Residential Real Estate Originations	**$8,693,685,068**
Number of Originations	18,545
Commercial Real Estate Originations	**$7,716,292,991**
Number of Originations	11,566
All Other Originations	**$2,865,403,812**
Number of Originations	39,816
Affordable Housing Units Financed	**273,385**
Rental Units	252,006
Owner Units	21,380
Businesses Financed	**201,548**

HFFI-FA Program Impact: Since the inception of the HFFI-FA program in 2011, HFFI-FA award recipients have reported healthy food investments totaling more than $237.0 million. There were retail investments totaling more than $193.0 million that developed 3.1 million 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 non-retail investments totaling more than $43.0 million in projects involving production and distribution, which developed more than 22 million 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 2019 (Based on Program Activities Reported from 2012 to 2018)	
Amount of Total Loans/Investments Originated	**$237,854,311**
Number of Total Loans/Investments Originated	469
Number of Projects	362

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

Number of Award Recipients Reported	31
HFFI Retail Investments	
Amount of Retail Loans/Investments	$193,999,326
Number of Retail Loans/Investments	236
Number of Retail Projects	170
HFFI Non-Retail Investments	
Amount of Non-Retail Loans/Investments	$43,854,984
Number of Non-Retail Loans/Investments	233
Number of Non-Retail Projects	192
HFFI Square Footage - Project Level	
Square Footage of New Retail Healthy Food Outlets	3,171,156
Square Footage of New Non-Retail Healthy Food Outlets	22,108,257

Native Initiatives

The Native Initiatives 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 (Base-FA) awards, Healthy Food Financing Initiative-Financial Assistance

(HFFI-FA) awards, Persistent Poverty Counties-Financial Assistance (PPC-FA) awards, Disability Funds-Financial Assistance (DF-FA) awards, and Technical Assistance (TA) awards. 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 award components to the CDFI Program, 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 Base-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 Base-FA awards include a matching requirement, Congress has historically waived this requirement in its annual appropriations measures.

To be eligible for a Base-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% 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 FA and TA awards totaling $175.0 million[16], which includes PPC-FA awards totaling nearly $3.5 million.

[16] The $175.0 million includes FY 2019 TA awards which were announced on September 19, 2019, but does not include FY 2019 FA awards which the CDFI Fund anticipates announcing before the end of CY 2019.

FY 2019 Activities

In FY 2019, the CDFI Fund conducted the FY 2019 award round of the NACA Program. The CDFI Fund opened the round on April 4, 2019. The application period closed on June 6, 2019, and announced TA awards on September 19, 2019. The CDFI Fund anticipates announcing the FY 2019 FA awards before the end of CY 2019.

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

- 32 organizations requested $25.9 million in NACA Program Base-FA awards.
- 21 organizations requested $3.1 million in NACA Program TA awards.
- 13 organizations received more than $1.9 million in NACA Program TA Awards.
- 16 organizations requested $4.5 million in NACA PPC-FA awards.

NACA Program Impact

Since the NACA Program was launched in 2001, the CDFI Fund has provided more than $175.0 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 2019, the number of certified Native CDFIs totaled 65.

The performance results reported by NACA Program award recipients in FY 2019 show that Native CDFIs originated over 4,800 loans or investments totaling $81.2 million based on their portfolio of activities in 2018, including over $35.0 million in business and microenterprise loans, $15.2 million in home improvement and home purchase loans, and $11.8 million in consumer loans.

The Native Initiatives 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 2019.

Cumulative Performance Report of NACA Program Award Recipients for FYs 2010 to 2019[17]
(Based on Program Activities Reported from 2009 to 2018)

Lending and Investing Activity [18]	Amount
Amount of Total Loans/Investments Originated	**$722,100,000**
Number of Total Loans/Investments Originated	32,834

[17] A change in transactional data collection for the above loan purpose categories creates inconsistencies in cumulative reporting prior to 2010.
[18] All data sources and qualifications are the same as the above impact tables.

Business and Microenterprise Originations	**$349,254,555**
Number of Originations	2,480
Consumer Originations	**$71,894,307**
Number of Originations	24,135
Home Improvement and Home Purchase Originations	**$142,562,627**
Number of Originations	2,095
Residential Real Estate Originations	**$7,805,019**
Number of Originations	65
Commercial Real Estate Originations	**$5,849,532**
Number of Originations	26
All Other Originations	**$144,733,960**
Number of Originations	4,033
Affordable Housing Units Financed	**143**
Rental Units	131
Owner Units	12
Businesses Financed	**1,915**

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 (generally defined as population census tracts with at least 20% poverty or 80% 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% 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 $15.0 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 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 15 allocation rounds and has made 1,178 awards totaling $57.5 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 2019 Activities

In FY 2019, the CDFI Fund completed the CY 2018 round of the NMTC Program and opened the CY 2019 round.

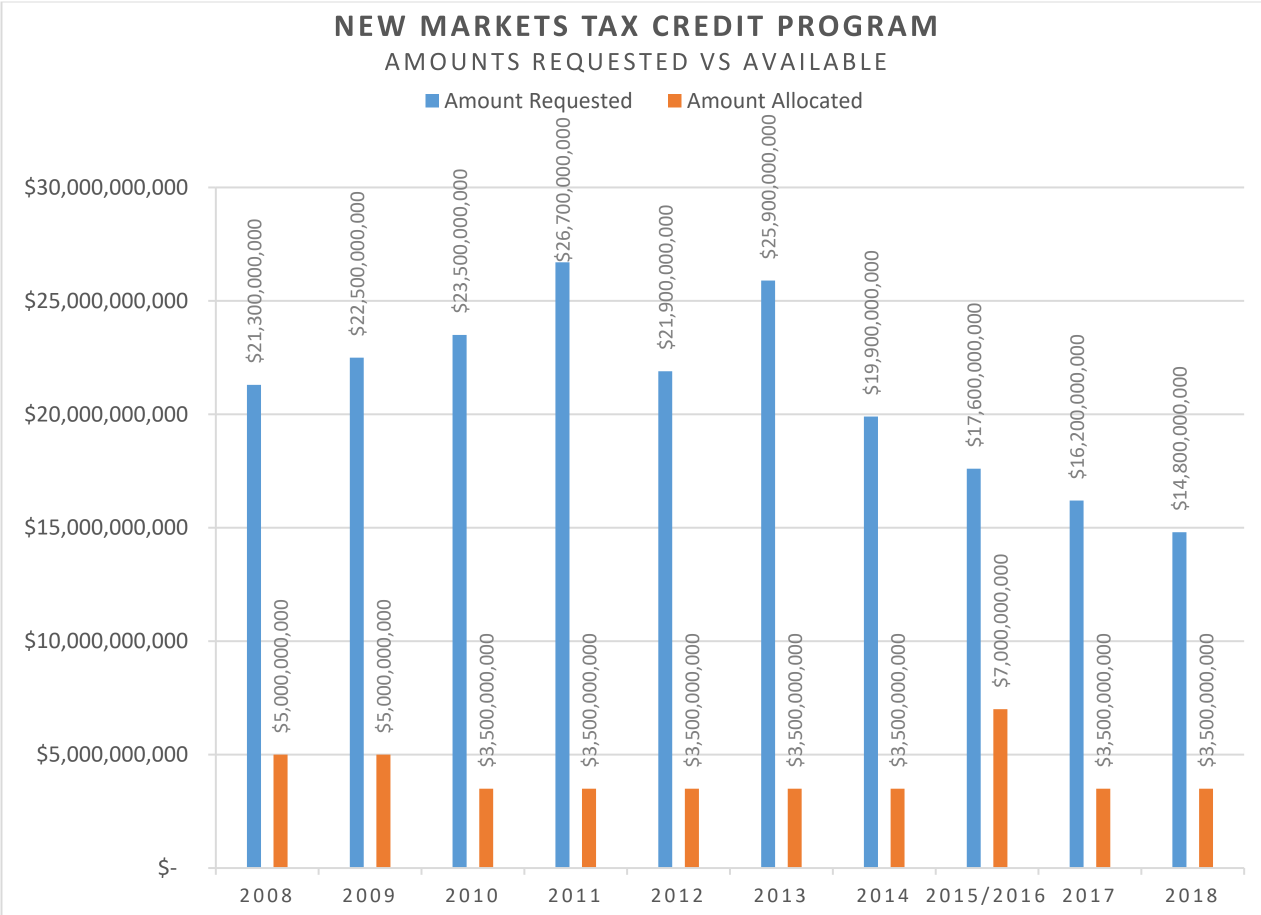
The CDFI Fund opened the CY 2018 round on May 9, 2018, and announced the awards on May 23, 2019. The demand for NMTC allocation authority significantly exceeded the tax credits available during the round:

- 214 CDEs submitted applications requesting $14.8 billion in tax credit allocation authority.

- 73 CDEs received $3.5 billion in tax credit allocation authority.

The 73 award recipients are headquartered in 35 states, the District of Columbia, and Puerto Rico. It is estimated that these award recipients will make more than $682.0 million in New Markets Tax Credit investments in nonmetropolitan counties.

The CDFI Fund opened the CY 2019 round of the NMTC Program on September 4, 2019. The application deadline is October 28, 2019. The CDFI Fund anticipates announcing CY 2019 allocation awards in spring 2020.



NMTC Program Impact

The CDFI Fund has awarded a total of $57.5 billion to CDEs through the NMTC Program. As of September 30, 2019, allocation recipients had reported raising QEIs totaling nearly $ 52.7 billion.

In FY 2019, allocation recipients reported making more than $3.8 billion in loans and investments in Qualified Active Low Income Community Investments (QALICIs), as shown in the table below. In addition, these investments are estimated to have created 9,172 jobs and funded 26,710 construction-related jobs.

Of these investments, 36% of the dollars invested were invested in “real estate QALICBs” (i.e., businesses that develop or lease real property for use by others), 64% 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 nearly $52.5 billion in cumulative qualified low-income community investments, which have created 314,000 jobs and over 522,000 construction jobs.

FY 2019 Annual & Cumulative Performance Report of NMTC Program Allocation Recipients		
	Annual Performance[19]	**Cumulative Performance[20]**
Total Qualified Low-Income Community Investments (QLICI)	**$3,804,650,617**	**$52,470,564,235**
Number of QLICI (TOTAL)	1,374	15,398
Real Estate Activity	**$1,356,651,302**	**$24,832,610,504**
Number of QLICI (RE)	446	6,418
Non-Real Estate Activity	**$2,420,611,315**	**$26,767,341,510**
Number of QLICI (NRE)	919	8,724
Loans/Investments Made to Other CDEs	**$27,388,000**	**$870,612,221†**
Number of QLICI (CDE)	9	256†
Percent in Distressed Area	**80.28%**	**75.32%**
Jobs at Reporting Period End	**9,172**	**314,000**
Projected Construction Jobs	**26,710**	**522,088**
Affordable Housing Units Financed	**828**	**15,420**
Owner Units	502	6,406†
Rental Units	326	9,014
Square Feet of Commercial Real Estate	**13,040,932**	**218,330,268**
Office	5,121,463	94,479,047
Retail	2,060,862	67,155,984
Manufacturing	5,858,607	56,695,237
Businesses Financed	**738**	**7,287**
Financial Counseling and Other Services		
Total Investments	$2,540,489	$42,692,256
Number of Businesses Served	8,803	82,716

†Cumulative results were adjusted to eliminate duplicates

The NMTC Program catalyzes investment where investment is needed most. Over 80% of NMTC investments for FY2018 have been made in highly distressed areas. These are communities with

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

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 2019, the CDFI Fund continued several significant administrative initiatives to maximize its performance, efficiency, and program results:

- Ongoing maintenance and enhancement of the Awards Management Information System (AMIS).
- Developing the CDFI Program Assessment and Risk Management Framework.
- Reviewing the CDFI certification policies and procedures to ensure they continue to meet the statutory and regulatory requirements, are responsive to the evolving nature of the CDFI industry, and protect government resources.
- Enhancing compliance monitoring and evaluation.
- Relaunching of the Capacity Building Initiative.

Maintaining and Enhancing AMIS

To improve the quality of its data, decision-making, and delivery of program resources, the CDFI Fund developed AMIS to replace its legacy business systems.

Initially launched in 2015, AMIS is a cloud-based, enterprise-wide business platform that supports all CDFI Fund programs through each phase of a program's life cycle, including certification, program awards and allocations, data analysis, compliance, and reporting.

AMIS provides an improved user experience, increased functionality and enhanced reliability over the CDFI Fund's previous legacy systems.

Since its launch, the CDFI Fund has integrated the CDFI Program, NACA Program, BEA Program, NMTC Program, and the CMF into AMIS. Award recipient compliance and performance reporting has been built out into the AMIS platform. Finally, AMIS also supports the Annual Certification and Data Collection Report that certified CDFIs are required to submit to maintain their certification status.

In FY 2019, the CDFI Fund successfully transitioned the CDFI Certification application and Bond Guarantee Program Qualified Issuer and Eligible CDFI applications into AMIS. During this time, the

CDFI Fund has also enhanced the functionality of AMIS and improved customer service through the deployment of a refined Help Desk system for AMIS users.

Developing the ARM Framework

During FY 2019, the CDFI Fund continued its development of the CDFI Program Assessment and Risk Management Framework (ARM Framework), which began in FY 2015.

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 full suite of tools will be implemented by the end of FY 2020 and will support the needs of multiple CDFI Fund business units.

Review of CDFI Certification Policies and Procedures

The criteria and measurements for certifying organizations as CDFIs have not been updated since the CDFI Fund was established in 1994. During this time, the CDFI industry has grown and evolved. In order to ensure certification criteria support the growth and reach of CDFIs, minimize regulatory burden and foster a diversity of CDFI types, the CDFI Fund began reviewing CDFI certification policies and tests applied to organizations seeking to become recognized as CDFIs in 2017.

Throughout FY 2019, the CDFI Fund continued its review of certification practices. The CDFI Fund will seek public comment on its recommendations and finalize the update of the CDFI certification application and related data collections—including the Annual Certification and Data Collection Report (ACR) and Certification Transaction Level Report (CTLR)—in FY 2020.

Changes to the ACR include proposed deletions, changes and additions of data points, and includes the introduction of the CTLR for CDFI Certification applicants and certified CDFIs that are non-awardees.

The CTLR will improve data quality in the ACR by replacing unverifiable summary data on lending and investment in target markets and using the transactional data to automatically compute answers to numerous questions in the ACR on lending and investment activities. The changes to the ACR due to the CTLR will allow for a more data-driven, quantitative evaluation of certified CDFIs and CDFI Certification applicants.

Enhancing Compliance Monitoring and Evaluation

Compliance monitoring is an essential part of the CDFI Fund's operations. The CDFI Fund 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 2019, 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, NACA Program, NMTC Program, BEA Program, CDFI Bond Guarantee Program, and the CMF. 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.

Relaunching the CDFI Fund's Capacity Building Initiative

In FY 2019, the CDFI Fund relaunched its Capacity Building Initiative (CBI). The CDFI Fund began work crafting a training curriculum focused on building the capacity of existing CDFIs, Native CDFIs and entities seeking to become or create CDFIs. During 2019, the CDFI Fund conducted a CDFI needs assessment to identify innovative, economical and efficient methods of delivering technical assistance. The assessment identified key training topics. The CDFI Fund anticipates having a fully designed curriculum in FY 2020.

To support the specific capacity building needs of Native CDFIs and CDFIs serving individuals with disabilities, the CDFI Fund in FY 2019 also instituted:

- **Building Native CDFIs' Sustainability and Impact (BNSCI) II** to enhance the ability of Native CDFIs to serve their communities, by ensuring that the organizations are well positioned to grow and to achieve greater impact. Training focuses on specific areas of need or development for Native CDFIs. BNCSI II consists of in-person workshops and webinars that were initiatives in FY 2019 and continue into FY 2020, as well as individualized technical assistance.

- **Building CDFI Capacity to Serve Individuals with Disabilities** to provide specialized training and technical assistance to certified and uncertified CDFIs that serve or intend to serve individuals with disabilities. A combination of in-person workshops, webinars, and one-on-one technical assistance will be provided to participants beginning in FY 2020.

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 2019 financial statement audit, a summary of the financial management initiatives of the CDFI Fund during FY 2019, 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 2019 Financial Statement Audit

The FY 2019 audit of the CDFI Fund's financial statements resulted in an unmodified opinion.

FY 2019 Financial Management Oversight

Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)

Our FY 2019 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 2019, CDFI performed risk assessments and a payment recapture audit in accordance with the Treasury IPERIA Guidance and Implementation plan.

Management Responsibilities

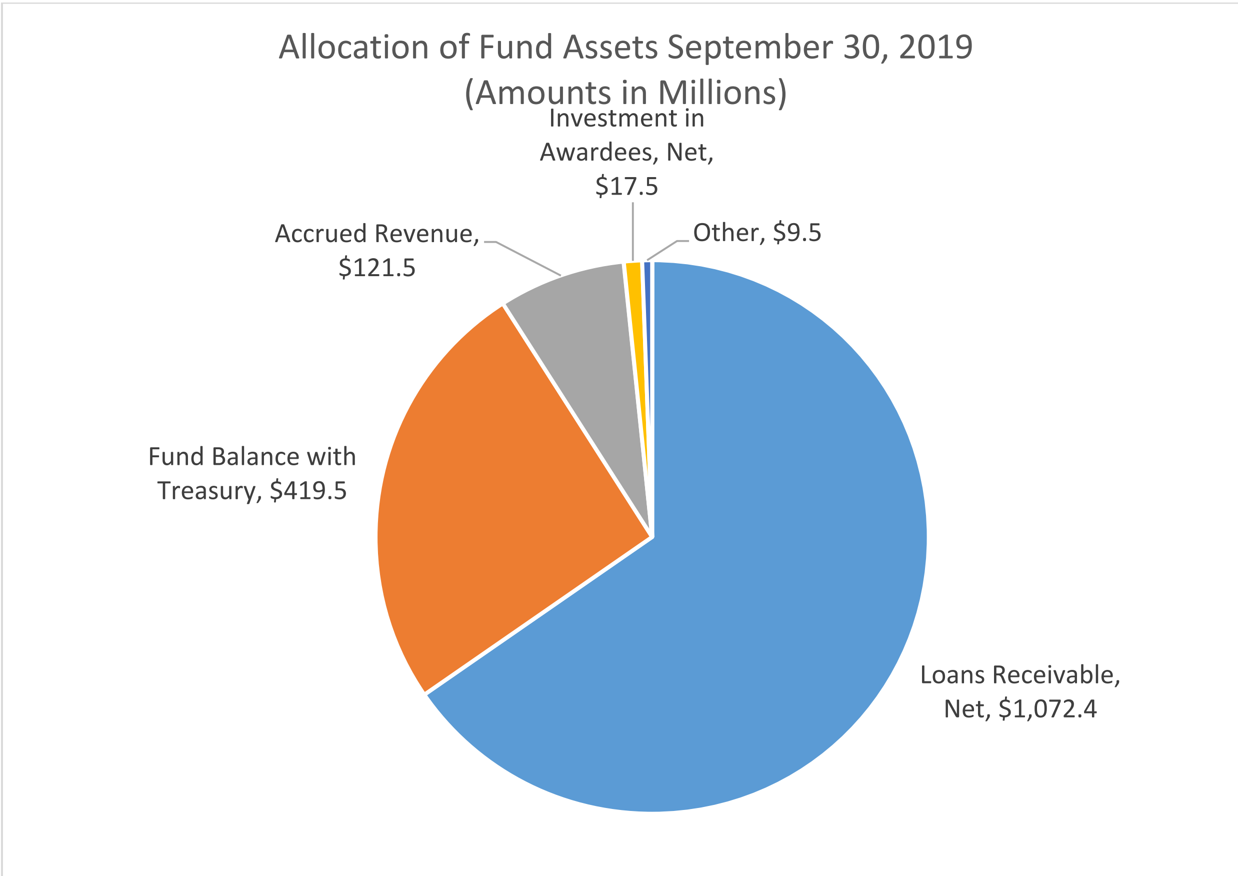
CDFI Fund management is responsible for the fair presentation of information contained in the principal financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America. Management is also responsible for the fair presentation of the CDFI Fund's 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 2019	FY 2018	Increase / (Decrease)
Total Assets	$1,640.4	$1,307.0	$333.4
Total Liabilities	$1,141.2	$787.5	$353.7
Total Net Position	$499.2	$519.5	($20.3)
Total Revenue and Financing Sources	$462.0	$437.7	$24.3
Total Expenses	$446.3	$399.6	$46.7
Net Income/(Loss)	$15.7	$38.1	($22.4)

Allocation of Fund Assets September 30, 2019



Assets

Assets increased by $333.4 million during FY 2019. Loans receivable increased $314.1 million due to new loans issued in FY 2019 under the CDFI Bond Guarantee Program and the CDFI FA Program. In addition there was a $0.7 million increase in Internal-use Software. Fund Balance with Treasury decreased $4.2 million due to appropriated and borrowed funds available to pay liabilities and to finance authorized award and purchase commitments. A $23.2 million increase in Accrued Revenue was due to the accrual of the FY 2019 portion of GSE fees owed to the CDFI Fund. This accrual will be paid in 2020 to fund the Capital Magnet Fund.

Fund Balance with Treasury

The Fund Balance with Treasury (FBwT) reflected a $4.2 million decrease from the prior year due to differences in the timing of when appropriation revenue is received versus when expenses are paid. Restricted funds from Special and Trust Funds relate to the Capital Magnet Fund and are used to carry out competitive award grants to CDFIs and qualified Non-Profit Housing Organizations. Amounts in FBwT for the Capital Magnet Fund totaled $143.7 million and $151.7 million as of September 30, 2019, and 2018, respectively.

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 2019, net loans increased by $314.1 million resulting from new loans of $350.4 million and due to the change in Allowance for Doubtful Accounts of $0.3 million. This is offset by BGP and Direct Loan principal repayments from recipients of $36.3 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 - $0.6 million
- Secondary Capital - $2.2 million

The primary source of financial data used for the majority of assessments is the most recent audited financial statements of the investees. These assessments determine whether any other–than–temporary impairments should be recognized. One investment totaling $400,738 and two investment totaling $168,833 at September 30, 2019 and 2018, 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 a $23.2 million increase in projected collections of GSE fees.

Liabilities

The increase in liabilities during the year of $353.7 million was primarily attributable to an increase in debt of $328.5 million, as well as, an increase in awards payable of $25.2 million.

Debt

During FY 2019, the CDFI Fund borrowed $359.7 million to issue new loans, $9.1 million to fund a downward subsidy re-estimate, $0.1 million fund a BGP loan modification, and $1.5 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 $41.9 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

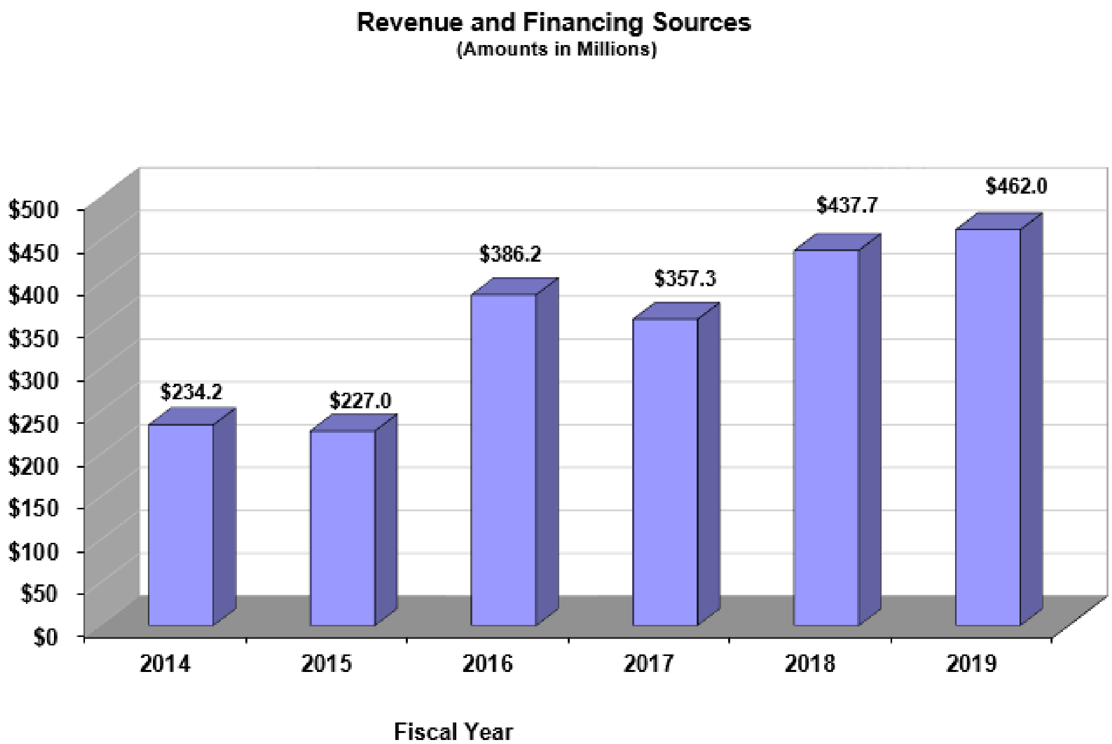
The increase in awards payable reflects the timing of the Bank Enterprise Award (BEA) Program award funding round. As of September 30, 2018, the BEA program had not announced their 2018 funding round, therefore no liability was incurred. In September of FY 2019 the BEA's 2019 funding round was announced in the amount $25.2 million. A liability was incurred as the BEA recipients had met the conditions required for payment.

Net Position

Net position decreased during the year by $20.3 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 2019, appropriations received and appropriations for subsidy re-estimate (net of amounts cancelled, rescinded and downward subsidy re-estimate) were $236.0 million, and appropriations used was $272.1 million resulting in a decrease in net position of $36.1 million. The decrease in net position, caused by a change in appropriations received and used, was partially offset by net income of $15.7 million. $16.9 million of net income is attributable to GSE fees collected, accrued, and expensed. The Cumulative Results of Operations – Capital Magnet Fund is composed entirely of restricted funds. Under federal statute, these funds have been specifically identified and are only designated for activities, benefits, or purposes of the Capital Magnet Fund.

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 second source is the GSE fees accrued and collected to support the CMF. The fees collected are subsequently disbursed and reported as an expense.



Revenue and Financing Sources include appropriations, GSE fees, interest income, and other revenue

Expenses

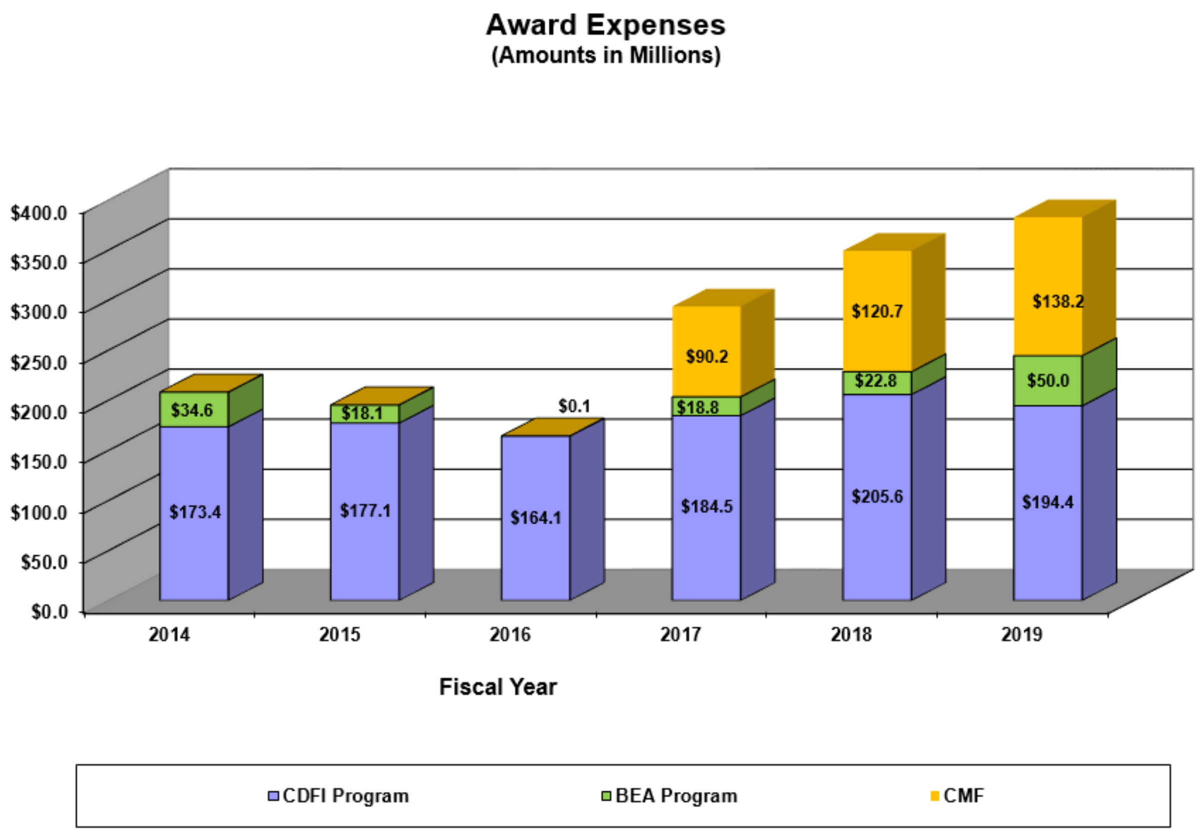
The change in the CDFI Fund's operating expenses, during FY 2019 consisted of the following:

Comparison of Operating Expenses Excluding Administrative Expenses Paid by Others Fiscal Years 2019 and 2018 (Amounts in Millions)

	FY 2019	FY 2018	Difference
Award Expenses	$382.5	$349.1	$33.4
Administrative Expenses	$29.9	$24.8	$5.1
Bad Debt Expense	$0.0	($.2)	$0.2
Total Operating Expenses	$412.4	$373.7	$38.7

Award Expenses

Award expenses during the year increased $33.4 million. Of this total, BEA award expenses increased $27.2 million and CMF award expenses increased $17.4 million. CDFI Program award expenses decreased $11.2 million. The BEA Program increased, due to both the 2018 and 2019 funding rounds being awarded in FY 2019. The CMF Program increased due to the change in award funding round size. The CDFI Program decrease was due to less payments disbursed in FY 2019 than FY 2018. The CDFI Program incurs expenses when awardees have met the conditions required for payment.



Administrative Expenses
Administrative expenses increased by $5.1 million during FY 2019. This increase was mainly due to a $2.9 million increase in contractual services with external parties and a $1.1 million increase in contractual services with internal 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 $0.2 million as a result of the reduction to the bad debt allowance being less in FY 2019 than in FY 2018.

In addition to the loans issued under the CDFI FA Program, the Secretary of the Treasury issues guarantees for the full amount of bond issuances to support CDFI BGP loans. The CDFI Fund does not bear any BGP loan defaults and, therefore, no allowance is recognized.

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 2019, other income and expense totaled $32.9 million, consisting of interest expense for Treasury borrowings. Interest and dividend income totaled $32.9 million.

Independent Auditors' Report

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

Independent Auditors' Report

Acting 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, 2019 and 2018, 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. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2019 and 2018, 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.

KPMG

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, 2019, 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 as of and for the year ended September 30, 2019 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. 19-03.

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, 2019

Financial Statements and Notes

Community Development Financial Institutions Fund
Statements of Financial Position
As of September 30, 2019 and September 30, 2018

		2019		2018
Assets				
Fund Balance with Treasury (Note 4)	$	419,504,251	$	423,732,593
Loans Receivable, Net of Allowance for Bad Debt (Note 5)		1,072,386,527		758,251,018
Investments, Amortized Cost (Note 6)		2,967,723		2,899,484
Investments, Cost Method (Note 8)		13,848,687		13,973,686
Investments, Equity Method (Note 9)		645,398		523,613
Accrued Revenue (Note 14)		121,500,000		98,300,000
Internal-use Software, Net of Accumulated Amortization		9,127,508		8,364,325
Other Assets		402,840		939,182
Total Assets	$	1,640,382,934	$	1,306,983,901
Liabilities and Net Position				
Accounts Payable	$	1,379,471	$	1,489,615
Awards Payable		25,276,021		61,539
Accrued Payroll		540,634		460,259
Accrued Annual Leave		847,120		758,494
Debt (Note 10)		1,113,172,775		784,710,359
Total Liabilities	$	1,141,216,021	$	787,480,266
Commitments and Contingencies (Note 11)				
Cumulative Results of Operations - All Other Funds	$	3,229,609	$	2,825,966
Cumulative Results of Operations - Capital Magnet Fund (Note 14)		265,176,110		249,882,757
Total Cumulative Results of Operations		268,405,719		252,708,723
Unexpended Appropriations (Note 12)		230,761,194		266,794,912
Total Net Position		499,166,913		519,503,635
Total Liabilities and Net Position	$	1,640,382,934	$	1,306,983,901

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, 2019 and September 30, 2018

		2019		2018
Revenue and Financing Sources:				
Appropriations (Note 12)	$	272,065,981	$	249,656,049
Imputed Other Income (Note 13)		957,904		907,046
Interest, Non-Federal		26,039,756		17,474,854
Interest, Federal		6,717,554		5,036,155
Dividends		136,912		131,142
Government Sponsored Enterprise Fees (Note 14)		155,083,872		163,716,610
Other		880,396		747,770
Equity in Gain of Associates, Net		121,785		1,137
Total Revenue and Financing Sources		462,004,160		437,670,763
Expenses:				
CDFI Grants	$	194,386,998	$	205,576,169
BEA Grants		49,999,920		22,787,205
CMF Grants		138,166,610		120,743,656
Administrative Expenses (Note 15)		29,924,960		24,843,012
Reduction of Bad Debt Expense		(16,491)		(238,967)
Administrative Expenses Paid by Others (Note 13)		957,904		907,046
Total Operating Expenses		413,419,901		374,618,121
Other Income and Expenses				
Interest Expense, Federal		32,486,525		24,755,430
Impairment Losses		400,738		168,833
Total Expenses		446,307,164		399,542,384
Net Income	$	15,696,996	$	38,128,379
Cumulative Results of Operations, Beginning of Year	$	252,708,723	$	214,580,344
Net Income		15,696,996		38,128,379
Cumulative Results of Operations, End of Year	$	268,405,719	$	252,708,723

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, 2019 and September 30, 2018

	2019	2018
Cash Flows from Operating Activities:		
Net Income	$ 15,696,996	$ 38,128,379
Adjustments to Reconcile Net Income to Net Cash Provided by/(used in) Operations:		
Impairment Losses	400,738	168,833
Equity in Gain of Associates	(121,785)	(1,137)
Amortization Expense	1,739,370	1,272,569
Accretion of Discount	(68,239)	(68,239)
Bad Debt Expense (Reduction)	(16,491)	(238,967)
Change in Assets and Liabilities:		
(Increase) in Accrued Revenue	(23,200,000)	(18,800,000)
Increase/(Decrease) in Accounts Payable, Accrued Payroll, & Other Liabilities	(29,769)	85,456
Increase/(Decrease) in Awards Payable	25,214,482	(18,776,355)
Increase in Accrued Annual Leave	88,626	27,639
Decrease/(Increase) in Other Assets	536,342	(48,162)
Net Cash Provided by Operating Activities	20,240,270	1,750,016
Cash Flows from Investing Activities:		
Loans Disbursed	$ (350,374,789)	$ (230,131,587)
Collection of Loan Principal	36,254,933	25,507,726
Proceeds from Disposition of Investments	125,000	-
Proceeds from Distribution from Investments	-	345,420
Purchases of New Investments	(400,738)	-
Purchases of Internal-use Software	(2,502,553)	(4,120,497)
Recovery of Loan Written Off in Current Year	837	9,948
Net Cash used in Investing Activities	(316,897,310)	(208,388,990)
Cash Flows from Financing Activities:		
Decrease in Unexpended Appropriations, Net (Note 12)	$ (36,033,718)	$ (10,459,000)
Borrowings from Federal Financing Bank	347,130,619	222,506,584
Repayments to Federal Financing Bank	(25,918,883)	(17,649,231)
Borrowings from Treasury	23,222,880	21,222,937
Repayments to Treasury	(15,972,200)	(8,771,915)
Net Cash Provided by Financing Activities	292,428,698	206,849,375
Net Change in Fund Balance with Treasury	(4,228,342)	210,401
Fund Balance with Treasury, Beginning of Year	423,732,593	423,522,192
Fund Balance with Treasury, End of Year	$ 419,504,251	$ 423,732,593

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

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

Notes to Financial Statements

September 30, 2019 and 2018

(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 BG 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, 2019 and 2018, 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 GSEs used to finance activities for CMF. 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 2019 and 2018, the CDFI Fund received three and zero requests, respectively, from awardees requesting an extension of their maturity date. These requests were processed in collaboration with the Department of the Treasury's Office of the Deputy Chief Financial Officer (ODCFO). 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 as well as 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 collecting fees from the GSEs to fund the Capital Magnet Fund. 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, 2019 and 2018 was $1,739,370 and $1,272,569, 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 Statements of Financial Position. Once completed the costs are transferred to internal-use software.

(j) 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.

(k) Retirement Plans

CDFI Fund employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). The FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983.

Employees hired prior to January 1, 1984, were provided an opportunity to join 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, 2019 and 2018 was $1,210,875 and $1,168,969, 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, 2019 and 2018 was $410,331 and $403,450, 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, 2019 and 2018 was $0 and $11,320, respectively.

(l) Annual, Sick, and Other Leave

Annual leave and compensatory leave is accrued as a liability when earned by the employee, and the accrual is reduced as leave is taken. The balance in this accrued liability account is computed using current pay rates. Sick leave and other types of non-vested leave are expensed as the leave is taken.

(m) Debt

Debt represents borrowings payable to the Department of the Treasury and the Federal Financing Bank (FFB) that were incurred to fund direct loans made by the CDFI Fund and other aspects of permissible borrowing authority. The borrowings payable to Treasury are related to subsidies, which are costs to the government over the entire life of the loan. The borrowings payable related to the FFB represent the principal loans balances disbursed under the CDFI BGP 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.

(n) Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the obligation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The CDFI Fund currently has no contingent liabilities meeting the disclosure or recognition thresholds.

(o) 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 based 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.

(p) Tax Status

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

(q) Fair Value Measurements

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

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

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

(r) 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 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.

(4) Fund Balance with Treasury

Fund Balance with Treasury (FBwT) as of September 30, 2019 and 2018 consisted of the following components:

	2019	2018
Available	$ 197,982,753	$ 34,825,368
Obligated	74,996,681	235,029,952
Restricted	143,682,447	151,661,491
Expired	2,842,370	2,215,782
	$ 419,504,251	$ 423,732,593

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 CDFI 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 CDFI 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, 2019 and 2018, delineated by delinquency category is as follows:

As of September 30, 2019

	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	$ 10,745,268	$ 11,636,268
General Recourse 2012-Current	-	-	-	50,439,812	50,439,812
Asset-backed	-	-	-	1,017,059,802	1,017,059,802
	$	$	$ 891,000	$ 1,078,244,882	$ 1,079,135,882
Less Allowance for Bad Debt					6,749,355
Total					$ 1,072,386,527

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

Gross loans receivable in nonperforming status as of September 30, 2019 and 2018 is $891,000 for both years. 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 2019 and 2018 is as follows:

As of September 30, 2019

	Beginning Balance	Write-offs	Recoveries	(Reduction)/ Addition of Bad Debt Expense	Ending Balance
General Recourse Pre-2012	$ 2,463,720	$ -	$ 837	$ (261,641)	$ 2,202,916
General Recourse 2012-	4,551,289	(250,000)	-	245,150	4,546,439
Asset-backed	-	-	-	-	-
	$ 7,015,009	$ (250,000)	$ 837	$ (16,491)	$ 6,749,355

As of September 30, 2018

	Beginning Balance	Write-offs	Recoveries	(Reduction) of Bad Debt Expense	Ending
General Recourse Pre-2012	$ 3,112,926	$(314,934)	$ 9,948	$ (344,220)	$ 2,463,720
General Recourse 2012-	4,446,036	-	-	105,253	4,551,28
Asset-backed	–	-	-	-	-
	$ 7,558,962	$(314,934)	$ 9,948	$ (238,967)	$7,015,009

The allowance for bad debt attributable to loans individually evaluated for impairment and loans collectively evaluated for impairment as of September 30, 2019 and 2018 is as follows:

As of September 30, 2019

	Loans Individually Evaluated for Impairment	Loans Collectively Evaluated for Impairment	Allowance for Individually Evaluated	Allowance for Collectively Evaluated	Total Allowance
General Recourse Pre-2012	$ 1,810,000	$ 9,826,268	$ 1,376,232	$ 826,684	$2,202,916
General Recourse 2012-Current	812,213	9,627,599	428,848	4,117,591	4,546,439
Asset-backed	-	1,017,059,802	-	-	-
	$ 2,622,213	$1,076,513,669	$ 1,805,080	$ 4,944,275	$6,749,355

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	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

At September 30, 2019 and 2018 impaired loans with and without a related allowance are as follows:

As of September 30, 2019

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	$ 1,810,000	$1,810,000	$1,376,232	$ 1,593,000	$ 750
General Recourse 2012-Current	812,213	812,213	428,848	406,107	12,188
Asset-backed	-	-	-	-	-
	$ 2,622,213	$ 2,622,213	$1,805,080	$ 1,999,107	$ 12,938

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

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-	-	-	-	-	-
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.

During the years ended September 30, 2019 and 2018, the CDFI Fund recognized interest income related to impaired loans of $12,938 and $0, respectively. The CDFI Fund recognizes interest income on impaired loans as earned, in accordance with loan agreements.

A loan is considered impaired when, based on current information and events, it is probable that the CDFI Fund will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming loans and loans with asset to liability ratio, excluding restricted assets, below 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, 2019 the CDFI Fund had a total recorded investment of two impaired loans from General Recourse Pre-2012 TDRs of $1,350,000 of which $1,350,000 had a related allowance for bad debt of $1,133,352. 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. There were no impaired General Recourse 2012-Current or Asset-backed TDRs as of September 30, 2019 or 2018.

For the years ended September 30, 2019 and 2018, grants in the amount of $4,886,000 and $8,100,620 respectively, were disbursed to debtors owing receivables whose terms have been modified in TDRs. As of September 30, 2019 and 2018, there were commitments in the amount of $0 and $2,950,000, respectively, to disburse grants to debtors owing receivables whose terms have been modified in TDRs.

The CDFI Fund utilizes a rating system to classify loans according to credit worthiness and risk. Each loan is categorized as pass, likely, doubtful or loss.
A description of each category (credit quality indicator), in terms of the attributes of the borrower, the business environment in which the borrower operates or the loan itself, follows:

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

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

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

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

The credit quality indicators for loans receivable as of September 30, 2019 and 2018 were as follows:

As of September 30, 2019

	Pass	Likely	Doubtful	Loss	Total
General Recourse Pre-2012	$ 4,432,157	$ 5,394,111	$ 919,000	$ 891,000	$ 11,636,268
General Recourse 2012-Current	25,415,136	24,212,463	812,213	-	50,439,812
Asset-backed	1,017,059,802	-	-	-	1,017,059,802
	$1,046,907,095	$ 29,606,574	$ 1,731,213	$ 891,000	$1,079,135,882

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

(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, 2019 and 2018 are as follows:

	Aggregate Fair Value	Gross Unrealized Loss	Amortized Cost (Net Carrying Amount)
Investments, Held-to-Maturity at September 30, 2019:			
Convertible debt securities	$ 740,133	$ -	$ 740,133
Secondary capital securities	2,227,590		2,227,590
Total	$ 2,967,723	$ -	$ 2,967,723

	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

Maturities of debt securities classified as held-to-maturity were as follows at September 30, 2019:

	Fair Value
Held-to-Maturity:	
Within one year	$ 800,000
Due after one through five years	1,427,590
Due after five through ten years	-
Due after ten years	740,133
Total	$ 2,967,723

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, 2019 or September 30, 2018.

Convertible debt securities consist of non-interest bearing convertible subordinated debentures. As of September 30, 2019 and 2018, this category consists of one debenture of $1,975,000 notional amount for both years (amortized cost of $740,133 and $696,030 as of September 30, 2019 and 2018, 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 two 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, 2019 and 2018. 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.

	2019		2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Fund Balance with Treasury	$ 419,504,251	$ 420,000,000	$ 423,732,593	$ 424,000,000
Loans Receivable	1,072,386,527	1,149,000,000	758,251,018	720,000,000
Investments, amortized costs	2,967,723	3,000,000	2,899,484	3,000,000
Investments, equity method	645,398	650,000	523,613	500,000
Investments, cost method	13,848,687	32,000,000	13,973,686	31,000,000
Financial liabilities:				
Awards payable	25,276,021	25,000,000	61,539	60,000
Debt	1,113,172,775	1,166,000,000	784,710,359	725,000,000

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, face value: 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 $13,848,687 and $13,973,686 at September 30, 2019 and 2018, respectively. All securities were evaluated for impairment. The measurement of impairment is fair value and net equity was evaluated for sufficiency to cover preferred interest if liquidation occurred. The evaluation identified one investment that was determined to be other than temporarily impaired and was written down during fiscal year 2019 in an amount totaling $400,738.

(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 $645,398 and $523,613 at September 30, 2019 and 2018, respectively.

(10) Debt and Other Borrowings

The CDFI Fund's debt totaled $1,113,172,775 and $784,710,359 at September 30, 2019 and 2018, 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, 2019 are as follows:

Fiscal Year	Principal Payments
2020	$ 34,070,611
2021	35,978,772
2022	39,228,948
2023	40,001,296
2024	42,187,281
Later years, through 2058	886,777,974
Total	$ 1,078,244,882

During fiscal year 2019, the CDFI Fund borrowed $370,353,499 for loans. This included $356,774,437 for BGP loans, $7,664,531 for BGP downward subsidy reestimate, $2,876,989 for direct loans, $1,412,076 for direct loan downward subsidy reestimate, $101,265 for BGP loan modification, and $1,524,201 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 $41,891,083.

During fiscal year 2018, the CDFI Fund borrowed $243,729,521 for 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.

Interest paid in cash for the years ended September 30, 2019 and 2018 was $32,486,525 and $24,755,430 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

Award, Purchase and Bond Guarantee Program Commitments

As of September 30, 2019 and 2018, unfilled award commitments amounted to $41,551,332 and $223,939,325 respectively. Award commitments relate to CDFI Program, NACA

Program, and CMF awards which were approved by CDFI Fund management but not disbursed as of year-end. The CDFI Program, NACA Program, and CMF 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 $25,275,971 and $0 as of September 30, 2019 and 2018, respectively, represent expenditures incurred by awardees for which the CDFI Fund will compensate 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 the CDFI Program of $0 and $61,489 as of September 30, 2019 and 2018, respectively, are also reflected as liabilities as these awardees have met the conditions required for payment.

Purchase commitments of $10,027,896 and $9,585,321 as of September 30, 2019 and 2018, respectively, relate to the unexpired portion of contracts, and purchase orders relating to goods and services not yet received.

As of September 30, 2019 and 2018, Bond Guarantee Program unfilled commitments for related direct loan disbursements amounted to $517,281,589 and $784,412,208, respectively. Actual disbursement is subject to borrowers satisfying certain conditions. Funding for such loans are covered by CDFI's established borrowing authority.

(12) Unexpended Appropriations

Unexpended appropriations as of September 30, 2019 and 2018 were as follows:

		2019		2018
Beginning Unexpended Appropriations	$	266,794,912	$	277,253,912
Appropriations Received		250,004,617		250,143,797
Appropriations for Subsidy Reestimate		6,134,375		2,351,290
Appropriations Cancelled		(312,519)		(402,031)
Appropriations Expended		(272,065,981)		(249,656,049)
Downward Subsidy Reestimate Adjustment		(19,794,210)		(12,896,007)
Change in Unexpended Appropriations		(36,033,718)		(10,459,000)
Ending Unexpended Appropriations	$	230,761,194	$	266,794,912

(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, 2019 and 2018 were $957,904 and $907,046 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 2018 activities, the GSEs' transferred $131,883,872 to the CDFI Fund in February 2019 for the CMF Program. An accrual of $121,500,000 was made in anticipation of collections in FY 2020 for fees estimated through September 30, 2019.

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.

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, 2019 and 2018:

		2019		2018
Personnel compensation and benefits	$	12,515,110	$	12,255,430
Travel		55,527		79,675
Rent, communication, utilities and miscellaneous charges		1,386,362		1,201,865
Contractual services with other agencies		6,155,925		5,055,878
Contractual services with non-federal parties		7,356,482		4,506,488
Information technology systems maintenance		410,528		413,669
Amortization		1,739,370		1,272,569
Supplies and printing		305,656		57,438
Total	$	29,924,960	$	24,843,012

(16) Related Party Transactions

The CDFI Fund has Interagency Agreements (IAAs) with the Department of the Treasury. As of September 30, 2019 and 2018, these related party expenses amounted to $6,820,809 and $6,486,126, respectively.

Expenses were recorded as follows for fiscal years 2019 and 2018: IAAs 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, building rent and guards in the amount of $3,080,380 and $2,516,305 for fiscal years 2019 and 2018, respectively. An IAA with the Bureau of the Fiscal Service for accounting services, e-Travel and Procurement in the amount of $1,286,405 and $1,904,386 for fiscal years 2019 and 2018, respectively. An IAA with Alcohol and Tobacco Tax and Trade Bureau for IT services in the amount of $2,454,024 and $2,065,435 for fiscal years 2019 and 2018, respectively.

(17) Subsequent Events

The CDFI Fund has evaluated subsequent events from the date of statements of financial position through November 13, 2019, 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

ACR – Annual Certification and Data Collection Report
AFR – Agency Financial Report
AICPA – American Institute of Certified Public Accountants
AMIS – Awards Management Information System
ARM Framework – Assessment and Risk Management Framework
ASC – Accounting Standards Codification
ASU – Accounting Standards Update

B

Base-FA – Base Financial Assistance
BEA Program – Bank Enterprise Award Program
BGP – Bond Guarantee Program
BNSCI – Building Native CDFIs Sustainability and Impact

C

CBI – Capacity Building Initiative
CDE – Community Development Entity
CDFI – Community Development Financial Institution
CDFI Fund – Community Development Financial Institutions Fund
CDFI Program – Community Development Financial Institutions Program
CMF – Capital Magnet Fund
CSRS – Civil Service Retirement System
CTLR – Certification Transaction Level Report
CY – Calendar Year

D

DF-FA – Disability Funds – Financial Assistance

F

FA – Financial Assistance
Fannie Mae – Federal National Mortgage Association
FASAB – Federal Accounting Standards Advisory Board
FASB – Financial Accounting Standards Board
FDIC – Federal Deposit Insurance Corporation
FERS – Federal Employees Retirement System
FFB – Federal Financing Bank
FHFA – Federal Housing Finance Agency
Freddie Mac – Federal Home Loan Mortgage Corporation
FY – Fiscal Year

G

GAAP – Generally Accepted Accounting Principals
GSE – Government Sponsored Entity

H
HERA – Housing and Economic Recovery Act
HFFI – Healthy Food Financing Initiative
HFFI-FA – Healthy Food Financing Initiative – Financial Assistance

I
IAA – Interagency Agreement
IRS – Internal Revenue Service
IT – Information Technology

N
NACA Program – Native American CDFI Assistance Program
NMTC – New Markets Tax Credit
NMTC Program – New Markets Tax Credit Program
NRE – Non Real Estate

O
OCFO – Office of the Chief Financial Officer

P
PPC-FA – Persistent Poverty County-Financial Assistance
PPC - Persistent Poverty County

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

R
RE- Real Estate

S
SECA – Small and Emerging CDFI Assistance
SFFAS – Statements of Federal Financial Accounting Standards

T
TA – Technical Assistance
TDR – Troubled Debt Restructuring
TLR – Transaction Level Report
TSP – Thrift Savings Plan

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